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# USSR Report

INTERNATIONAL AFFAIRS

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13 MAY 1987

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## WORLDWIDE TOPICS

### UN EUROPEAN ECONOMIC COMMISSION MEETS

#### Session Opens

LD011026 Moscow TASS International Service in Russian 1715 GMT 31 Mar 87

[Text] Geneva, 31 Mar (TASS)--The 42d session of the European Economic Commission (EEC) of the UN opened here today. Thirty-two European states, including the USSR, Belorussian SSR and the Ukrainian SSR, as well as the United States and Canada, are members.

The session is to examine the state of and prospects for the economic development of the states in the region and diverse trade and economic and scientific-technological cooperation.

The session received a message of greetings from N.I. Ryzhkov, member of the CPSU Central Committee Politburo, chairman of the USSR Council of Ministers, on the occasion of the 40th anniversary of the foundation of the EEC, which is being marked this year. Greetings were also received from many other commission member-countries. The message from Peres de Cuellar, secretary general of the United Nations, notes the services of the EEC to expanding economic cooperation in the region, first and foremost between countries with differing socioeconomic systems. The tasks of strengthening peace and stability must lie at the base of all the efforts of EEC member-states, the telegram says.

Speaking on behalf of the socialist countries at the jubilee session, the head of the Soviet delegation, V.G. Komplektov, deputy minister of foreign affairs of the USSR, noted the contribution of the EEC in support of and to consolidate peace and cooperation in Europe and beyond. He said that the documents from the European Conference in Helsinki and the Madrid meeting have given an important stimulus to the work of the commission. The EEC has achieved considerable progress in implementing the relevant clauses of the documents, although the potential of the commission in this respect is not yet being duly utilized. The delegations of the socialist countries advocate the development of new forms of cooperation and the realization of all the potential for strengthening the role of the commission and increasing its effectiveness further.

## Soviet Envoy Addresses Forum

LD012244 Moscow TASS in English 1152 GMT 1 Apr 87

[Text] Geneva, 1 Apr (TASS)--TASS correspondent Yevgeniy Korzhev reports:

The responsibility of countries not only for the fate of their own people but also for the survival of all mankind has grown immeasurably in the nuclear age, Soviet Deputy Foreign Minister Viktor Komplektov told the 42nd session of the United Nations' Economic Commission for Europe (ECE) here today.

The overriding need today was to ensure stability in international relations and remove the threat of nuclear war, said Komplektov, who is leading the Soviet delegation to the session.

It was only in those conditions that it was possible to carry out fully the economic development programs of all countries and pursue effective and mutually beneficial economic cooperation, he added.

Komplektov stressed the special need today for effective efforts to solve pressing economic problems and develop stable and predictable economic relations between East and West.

The speaker pointed to the commission's role as an instrument for implementing the goals and tasks of the UN Charter at regional level and as an essential element in the mechanism of developing the all-European process started in Helsinki and continued in Belgrade, Madrid and Vienna. The idea of coordinating the commission's activity with the work of the Vienna meeting deserved all-round support, he said.

"It is important that the Vienna followup meeting make specific recommendations to the commission," he added.

The Soviet delegation's leader then pointed to new tasks put on the order of the day by the increasingly rapid internationalization of the world economy, growing economic interdependence and scientific and technological progress in the '80s.

He said joint research into biotechnology, new materials, advanced technology to produce them, and rational uses of raw materials would be of practical interest to all ECE countries.

Studies of ways to ensure a high reliability and complete operational safety of newest technologies and technical systems would obviously be interesting as well, Komplektov continued.

"The Soviet Union's policy of speeding up its social and economic development and broadening its part in the international division of labor make high demands on foreign economic relations," he said.

The leader of the Soviet delegation concluded by saying that diversifying and consolidating real cooperation meant ultimately increasing material benefits for all. As applied to the ECE, however, that meant even more, namely better understanding and greater trust between the two socio-political systems the state of whose relations was in many ways decisive to the future of civilization, Komplektov said.

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CSO: 1825/157



## EAST-WEST RELATIONS

### HISTORY, PROSPECTS FOR EC-CEMA COOPERATION

Moscow OBSHCHESTVENNIYE NAUKI in Russian No 6, 1986 pp 95-108

[Article by Vladimir G. Baranovskiy, doctor of economic sciences, sector chief of World Economics and International Relations Institute, USSR Academy of Sciences; academic specialization: political integration in Western Europe, problems of arms limitation; article prepared based on a chapter of the book "Yevropeyskoye soobshchestvo v sisteme mezhdunarodnykh otnosheniy" [The European Community in the System of International Relations]. Moscow, Nauka Publishing House, 1986; under the rubric "International Relations": "The European Community and the Interaction of Two Systems"]

[Text] The integrated development of Western Europe gives a noticeable imprint to modern international relations. As is well known, the European Community (EC) includes some 12 countries today, including the most influential states in Western Europe, whose influence on international processes is extremely appreciable. The foreign political activity of these states is realized to a certain extent through the integrated association, which has become an important intermediate level for accomplishing contact with the system of international relations. The participants in the community are very actively coordinating their positions on issues of mutual relations with third countries, as well as with regard to conflict situations that arise in various regions of the world. The creation of a whole system of coordinating mechanisms within the EC intended for the development of an "overall" policy in relation to the external world, and moreover not only in the sphere of trade and economics, is noteworthy.

An exceedingly topical comprehensive analysis of this phenomenon, new to world politics, and especially of the role of the Western European integrated grouping in the interaction of the two social systems in the international arena, is presented herein.

\* \* \*

The mutual relationships of socialist and capitalist states are of an intersystemic nature in their socio-political substance, while imperialist integration is first and foremost an intrasystemic phenomenon. It arises on the basis of the objectively conditioned process of the internationalization of social life and is stimulated by the development of associative tendencies

in the economics and politics of countries that are homogeneous in their social structures. But intrasystemic and intersystemic processes are not at all isolated from each other. The link between them is revealed to the extent that the formation and integrated activity of the groupings (in the given case--Western European) are inscribed in the processes of competition and confrontation of the two social systems under conditions of the growing interdependence of all of the states of the world community.

The very appearance of integrated associations in Western Europe in the 1950s was considered by their initiators only within the context of the policy of the "restraint of communism." The reactionary-inclined politicians' slogan of a "unified Europe" was attractive first and foremost because they counted on creating a mighty bulwark against the Soviet Union and the socialist community that had taken shape in that manner. A reliance on this was one of the main reasons that active support for the associative plans on the part of the United States came about. In Washington, they felt that a "unified Europe" would be easier to orient against the socialist world, while the integrative process in the region would create a solid economic foundation for the military-political NATO bloc headed by the Americans.

According to the intentions of the ideologists and politicians of imperialist integration, the dynamically developing Common Market was to become the natural center of attraction for the Eastern European countries, weakening their ties with the Soviet Union and undermining the unity and cohesion of the socialist community. Almost two decades ago, Z. Brzezinski "forecast" that the successes of the Common Market would lead the Eastern European countries "toward sub-regional collaboration without Soviet participation" by the middle of the 1980s. (Footnote 1) (Z. Brzezinski. The Framework of East-West Reconciliation. "Foreign Affairs", 1968, vol. 46, N 2, p. 265.) Hopes were also expressed that with time, they could be attracted into a "unified Europe," leaving the Soviet Union outside of its framework and in that manner ensuring its international political isolation. And while such calculations have clearly turned out to be baseless, this in no way signifies that they have been forgotten with time. When, at the beginning of the 1980s, importunate calls for "overcoming the spirit of Yalta" began to be heard, this same Brzezinski proposed "encouraging closer contacts and even, possibly, certain forms of collaboration between the Common Market and Eastern Europe" for that purpose, as well as "creating as many opportunities as possible for the participation of Eastern Europeans in various general European institutions," including the European parliament. (Footnote 2) (Z. Brzezinski. The Future of Yalta. "Foreign Affairs", 1984, vol. 62, N 2, pp. 296-297.) The aspirations of EC members to have an influence on the structure and thrust of the foreign-trade contacts of the socialist countries continue to be motivated to a considerable extent by considerations of a political nature.

With the aid of the integrated association, its participants frequently try to ensure the "concealment" of some aspects of their foreign policy, giving it a more significant nature. In issues of mutual East-West relationships, the Federal Republic of Germany perhaps makes the most active use of this opportunity. It is very important to them that the political policy of "national reunification" be implemented in the name of the whole community,

that it directly or indirectly support the claims of Bonn to the right to represent the "unified German nation" and its efforts to place in doubt the special status of West Berlin and include that city in the FRG.

It must be stated that the other members of the EC have a known suspicion of this aspect of the integrative policies of the FRG. Thus, for example, in striving to emphasize the "special nature" of relations with the GDR, Bonn considers its trade contacts with the GDR as "internal German trade" to which the existing Common Market rules relative to a unified foreign customs tariff do not extend. For purely economic reasons, this is not welcomed at all by the other members of the EC. Problems of a political and legal nature also arise within the EC with regard to West Berlin.

There is another aspect of Western European integrated development that touches on the mutual relations of the two opposing systems in the international arena in a most serious manner. The discussion concerns the possible shifting of the integrative process into a military-political channel. Such an effort, ending, as is well known, in failure, was undertaken as early as in the initial phase of integrated development in Western Europe. (Footnote 3) (Having in mind the signing of the treaty for the creation of the European Defense Community in 1952. Due to the position of the French National assembly, this plan was not realized.) Recently, however, an undoubted increase in interest in this topic is being observed in the Western European countries. This is occurring, it seems to us, for two basic reasons: an increase in the economic and political weight of the Western European imperialist center and the increasing erosion of NATO military doctrine.

The material capabilities existing within the community for conducting more or less independent policies have undoubtedly increased. They are neutralized to a considerable extent, however, by the fact that in the military sphere the United States remains the undisputed leader of the Western world. This imparts a definite uncertainty and unsteadiness to the international political status of the EC. The completely understandable dissatisfaction of Western Europeans with such a subordinate position frequently becomes the point of departure for various plans that envisage a shift in the integrative process into a military-political channel.

A second reason is associated with a decline in the reliability of the so-called American nuclear guarantee for Western Europe, which in and of itself affects the fundamental components of the military strategy used by NATO. After all, the theory that in the event of armed conflict between NATO and the Warsaw Pact in Europe, the United States would come to the aid of its allies using the enormous might of its strategic nuclear-missile potential, has always been a sort of axiom of North Atlantic thought. The appearance of Soviet-American strategic parity undermines the credibility of this plan, and moreover in a most radical and irreversible fashion. The readiness of the United States to put its own territory in harm's way to "save" their allies is provoking very well-founded doubts in Western Europe.

On this plane, even the deployment of American medium-range missiles on the territory of a number of Western European countries is no more than a palliative, which can only lead to a rise in the overall level of military

confrontation in Europe between East and West, but is in no way a solution to the "problem of trust" in the mutual strategic military relations of the United States with its allies. The reluctance of the U.S. NATO allies to support completely and unconditionally the American "strategic defense initiative" testifies quite eloquently to the depth of American-Western European contradictions in precisely that sphere that was until quite recently considered to be the most reliable component of "Atlantic solidarity."

The question of the scale, rate and forms of the development of Western European integration in the military-political sphere remains open. It is hardly possible to define unambiguously the consequences of this evolution, which consequences will apparently have an effect on the overall disposition of forces within the imperialist camp and on the nature of American-Western European relations. In any case, the authors of basic research feel that "the trend of further development of the isolated Western European system... does not exclude some weakening of North Atlantic military ties." (Footnote 4) ("Zapadnaya Yevropa v sovremennom mire" [Western Europe in the Modern World]. Volume 1: "Zapadnaya Yevropa: ekonomika, politika, klassovaya borba" [Western Europe: Economics, Politics, Class Struggle]. Moscow, 1979, p 262.)

At the same time, the negative influence that the transformation of the EC into a military-political alliance could have on relations between the countries of the two systems in Europe is quite apparent. After all, all versions of Western European military-political integration--both those discussed on a purely theoretical level, and those that are being tried to this or that extent in practice--are ultimately intended to resolve one and the same task, important for the imperialist countries namely from the point of view of the global confrontation with the socialist world. The discussion concerns the expansion of their strategic capabilities, the increase of their military potential, broader coordination with regard to issues of military assurance of security--in other words, the mobilization of additional material and organizational reserves in precisely that sphere in which the mutual relations of the two systems are the most complex. Any actions in this sphere that are directed toward achieving unilateral advantages are fraught with the most fatal consequences.

\* \* \*

As early as the beginning of the 1960s, a series of decisions was made in the Common Market that concerned the practice of trade ties of community members with the socialist countries. Over the first 10-15 years after the signing of the Treaty of Rome in 1957, however, the fact of the existence of an integrated association in Western Europe had only a negative effect on the mutual relations of its members with the states of the socialist community. In the 1970s, however, the situation began to change. At least two circumstances played a most noticeable role here.

First, a considerable expansion of trade and economic contacts between Western European and Eastern European states occurred. Second, the process of detente in international tensions that had begun in Europe had a most important influence. Relations between the socialist and capitalist countries of the continent became broader and more diverse and were filled with new substance.

The question of developing general European programs of economic and scientific and technical collaboration was placed on the agenda. This presupposed a search for foundations for some forms of business relations between the international economic organizations that had arisen in Europe--CEMA and the Common Market.

Contacts between their official organs began to be implemented in 1973. In February of 1976, the chairman of the CEMA Ispolkom transmitted to the EC Council of Ministers a draft of an agreement that could put the relations between the two organizations and the countries belonging to them on a solid treaty and legal foundation. Negotiations began two years later, but they ran into serious difficulties.

Formally, the European Community tried to base its negative reaction to the draft of a broad and all-embracing agreement that had been proposed by the Council for Mutual Economic Assistance with references to the fundamental differences existing between the two organizations with regard to their purposes and authority. In the EC, according to this type of reasoning, genuine integration was being implemented leading to a convergence of the economic organisms of the member countries, while in CEMA the discussion concerned just international collaboration; the central institutions of the Western European integrated association had been endowed with certain authority that permitted them limited but real influence on the economy, while the executive organs of CEMA had no independent authority and were deprived of the opportunity of acting other than with the full consent of all member countries; finally, the mutual trade relations with the foreign world were regulated at the community level in the EC, while CEMA did not conduct a unified foreign-trade policy. The conclusion was drawn from this that mutual treaty relations on a CEMA-EC line could not be developed on the broad basis proposed by the socialist countries; an agreement between the two organizations, in accordance with community policy in the negotiations, could be reduced just to the exchange of information on an extremely limited circle of issues (forecasting, statistics, standardization and environmental protection).

The baselessness of these arguments was emphasized more than once by CEMA. The differences between CEMA and the EC really are of a fundamental nature, insofar as socialist and capitalist integration differ radically from each other both in their socio-economic substance and in the political foundation on which their development takes place. But this still does not create an insurmountable obstacle for the broad development of contacts between them. As for authority in the sphere of mutual relations with the foreign world, certain elaborations were introduced into the CEMA Charter in 1976, including some concerning the right to conclude agreements with other countries. Furthermore, CEMA has long had a whole series of similar agreements, for example with Finland, Mexico and Iraq. Thus, the obstacles to establishing relations between the two integrated organizations turned out not to be connected with the issue of the legal capacity of CEMA. (Footnote 5) (For details see: V.I. Kuznetsov. "SEV i 'Obshchiy rynok': pravovyye aspekty" [CEMA and the "Common Market": Legal Aspects]. Moscow, 1978.) It seems that considerations and calculations more of a political rather than legal nature played a role here.

First and foremost, the discussion in this case concerns the outdated nature of the political thinking of the ruling circles in the West, denying the reality of the existence of the socialist world. Considering CEMA to be a political structure intended to ensure the "reigning positions" of the Soviet Union, Western politicians in principle would prefer to get along without official relations with this organization. After all, the establishment of such relations, in their opinion, would signify that the countries of the EC acknowledge the extant situation in Eastern Europe as lawful and have in essence "reconciled themselves" to the existence of a "Soviet sphere of influence." In this sense, the politically conditioned reluctance to acknowledge the changes that occurred on the European continent after the Second World War and an attempt not to permit a strengthening of the socialist community became a serious obstacle for the normalization of relations between CEMA and the EC.

The same reasoning explains the conducting of a differentiated policy with regard to the countries of the socialist community. A policy of selective granting of these or those customs concessions is clearly discerned in EC policy as early as since the middle of the 1960s. At first, this was expressed in the unequal reduction of the lists of so-called strategic goods banned by NATO organs for export to socialist states for various CEMA countries, and later in differentiated tariff privileges in the import of goods from these countries to the EC and the non-identical terms for the granting of commercial credit to them. Moreover, the opportunity of conducting this policy would have been fundamentally undermined in the event that the conditions under which the trade and economic contacts of the CEMA and EC countries were implemented had been defined by agreement between these two organizations.

In essence, right up until the middle of the 1980s the policy adhered to by the community was aimed at avoiding the creation of a serious treaty and legal foundation for official relations with CEMA. At the same time, as early as the beginning of the 1960s, extremely persistent efforts were undertaken to "convince" the states of the socialist community that each of them (naturally, on an individual basis) needed to establish ties with the EC. According to the arguments advanced on that account, the "unified foreign-trade policy" being conducted by the Common Market made it impossible for third countries to maintain purely bilateral relations with community members. It was clearly planned, making use of mutual vested interest in trade and economic ties, to put the socialist states in such a situation that they would have no rational alternative to official contacts with the Western European integrated association.

Since 1975, the EC states have formally really lost the right to conclude bilateral trade agreements with the socialist states independently. This authority today has been obtained only by the community in the person of its organ--the Commission of European Communities. A consequence of this was the appearance of an extremely specific situation with the expiration in 1974 of the effective periods of agreements concluded earlier. They already could not be renewed on the traditional bilateral basis, insofar as the community insisted that the socialist states conclude new agreements namely with it, and

not with each of the member countries individually. This was in turn hindered, however, by the unregulated nature of relations between CEMA and the EC. A dead end arose due to which in principle all trade between the CEMA countries and the EC countries could have been placed in danger. But insofar as the latter clearly had no vested interest in this, they had to go for the corresponding modification of their "unified foreign-trade policy."

The point is that efforts to extend this policy to the sphere of mutual relations with the countries of the socialist community had quite limited results for the community. The discussion concerns the EC-Romania trade agreement concluded in 1980 (which up until the present day remains the sole example of this type), as well as the so-called sector (or technical) agreements of the community with Eastern European CEMA countries on trade in products of steel production and textiles. Overall, economic ties between the EC and CEMA countries were regulated to a considerable extent by agreements of a bilateral nature as before. Each of these agreements, as a rule, is long-term and envisages collaboration on a most broad circle of issues--in the realm of production cooperation, scientific and technical contacts, credit policy, compensatory deals and the like. In other words, these agreements go far beyond the bounds of purely trade problems, which allows the EC members to relegate them to their own internal authorities and not the authority of the community overall.

Thus, the policy of community countries on issues of trade and economic relations with the states of the socialist community to a significant extent retain a primarily individual national nature. It is true that in 1974, the community introduced a special consultative procedure for countries conducting trade and economic negotiations with socialist states. A special "standard format" was developed then that was intended as a uniform basis for agreements concluded with them. But in practice, the EC members often circumvent all of these rules established at the community level, placing their own intrinsic economic interests in the forefront and even entering into definite competition with their partners in the integrated association on this basis.

This competition leaves its imprint on the mutual relations of the community countries with the CEMA countries on a broader plane as well. Notwithstanding the common class and strategic political line, each of the EC countries, and especially its leading members, have their own political interests associated with their own positions and the goals of the country both within the framework of the integrated association and in the broader context of the inter-imperialist struggle.

Right up until the middle of the 1980s, relations along the lines of CEMA-EC remained unregulated first and foremost due to the aspirations of the community and its members to "solve" this problem in a manner that would ensure unilateral foreign-policy gain for themselves. The European Community wants to achieve official acknowledgment on the part of the states of the socialist community, but refuses reciprocal acknowledgment of them by their own organization; proceeding from the fact that the EC members have to undertake collective actions with relation to the other contracting parties, but hope not to permit such actions on the part of CEMA members; striving to affirm itself as a "fully valued" political figure in the international arena,

but clearly not wanting the integrated association in which the USSR and its allies are included to possess such status. Thus, the question of the relations of the EC with the countries of the socialist community are not of a purely technical or purely economic nature at all, as those who insist on the unilateral recognition of the community by the CEMA states are trying to represent. This problem has a serious political subtext that is defined first and foremost by the overall nature of the mutual relations between the countries of the two opposing systems on the European continent.

\* \* \*

At the end of the 1960s and beginning of the 1970s, the problem of detente became one of the most important aspects of the foreign-policy activity of the EC. Its participants counted first and foremost on the aid of integrated mechanisms to bring their political policies with regard to the countries of the socialist community to a certain common denominator overall. A most important component of detente, after all, is the development of collaboration between states on a bilateral basis. Some of the EC members therein entered onto the path of detente early and with time became sort of "privileged partners" of the socialist countries, as if pushing into the background the remaining members of the integrated association. Others were inclined to see a potential threat to the Western camp in broad-scale contacts with the socialist countries and for that reason took more of a temporizing position.

Priorities within the framework of the overall policy of detente were also not identical: for some, political aspects of relations with the countries of the socialist community were at the forefront, others saw in detente first and foremost a means of making trade and economic ties more active, and still others focused on cultural exchanges or the "coupling" of detente with the situation in other parts of the world.

The issue, naturally, is not the incompatibility of the approaches to detente that various EC countries adhered to. In principle, however, each of them--this relates at least to the leading participants in the integrated grouping--have their own intrinsic "Eastern policy," which can differ from the policies conducted by its partners, and not only in secondary nuances. As a result, a definite basis arises for mutual competition in a given area of foreign-policy activity. At an official level, they prefer not to discuss this. But there are many signs testifying to the fact that, for example, Paris has observed the development of the relations of the FRG with its Eastern neighbors in jealous fashion, while in London, the situation where Great Britain is lagging more and more behind the Common Market in the development of trade with the states of the socialist community is felt to be far from satisfactory. Coordination at the EC level of the policy of detente was intended to eliminate these elements of mutual rivalry among the Common Market countries.

The process of detente became more active due to multilateral contacts among the countries of both systems in Europe and posed a whole series of problems in relation to which all of the participants in this process had to formulate their positions in this or that manner. Naturally, Western European countries strove to see that their positions were defined sufficiently unambiguously, since otherwise the foreign-political efforts undertaken in the course of



multilateral negotiations would have to be aimed first and foremost at settling differences "in their own circle" and only then at a search for compromise with the socialist states. And a level of authority was needed for this that could accomplish preliminary coordination on the corresponding issues. In a whole series of cases, this practical coordination occurs at the level of the integrated association.

Finally, the EC was to a certain extent able to play the role of namely that organizational structure within the framework of which the Western European countries tried to contrast their policy with regard to detente to the American approach. Naturally, this juxtaposition cannot be made absolute. Nonetheless, it exists and reflects the specific nature of Western European interests, in no way coinciding with the interests and aspirations of the leadership of the United States. Even with the appearance of serious problems in the development of detente since the end of the 1970s and beginning of the 1980s, when elements of confrontational behavior again dominated in the foreign policy of the United States, the approach of the Western European countries to detente preserved definite distinctions from the American approach. Moreover, it is extremely difficult for the Western European countries, acting independently, to oppose the pressure from Washington, especially when the latter appeals to the feelings of solidarity and justifies it with the necessity of joint opposition to the "Soviet threat" or "communist expansionism." Coordinated actions, the more so under the aegis of the integrated community, give its participants the opportunity of distancing themselves somewhat from the unacceptable aspects of the foreign policy of the United States.

The essence of the policy adhered to by the EC in multilateral forums within the framework of the process begun at the European Conference at Helsinki bore the imprint of a general sharpening of tensions in relations between the states of the two systems at the end of the 1970s and beginning of the 1980s. The quite influential forces in the Western European countries that are in favor of negative positions toward the problems of detente bear their share of responsibility for this. The activity of these forces is manifested at the level of the integrated association as well--in a general tightening of its approach to the problems of detente, attempts to distort the very substance of the Helsinki Agreement, using it for interference in the internal affairs of the socialist countries, and in efforts to accuse these countries of not observing this document.

At the same time, the general European meetings of the EC countries in many cases try to avert a reproduction of the confrontational structure in relations between the states of the two systems that existed during the "cold war." A difference in their positions from the policy conducted by the United States can be detected here as well. The latter considers European forums first and foremost and chiefly as a means of pressuring the USSR and the other socialist countries, while in Western Europe, not refraining from attempts to use the process begun in Helsinki for precisely these purposes, they nonetheless feel that it is a quite important task to provide for its continuation and avert the destruction of the unique mechanism of multilateral negotiations that was created during the years of detente. This position, by the way, was not absolutely identical in all of the EC countries. Great

Britain, by way of example, has most often turned out to be "closer" to the United States than the other members of the community.

A worsening of East-West tensions and a definite erosion in detente relations between the countries of the two systems has placed a complex problem of foreign-policy selection before the members of the EC. The attempts to make use of detente to put political pressure on the socialist states and to interfere in their foreign affairs, the imperatives of class confrontation with the world of socialism and military and political dependence on the United States all push the EC members to participate in most diverse actions aimed at reinforcing the positions of the imperialist camp, consolidation and cohesion of the countries of the West and the inclusion of elements of rigidity and aggressiveness in foreign policy. At the same time, there exists within the EC a vested interest in holding on to a whole series of positive instances associated with detente and avoiding a destabilization in relations between the countries of the two systems that is too dangerous and has unforeseen consequences (especially in Europe). A tendency to preserve a certain autonomy of foreign-policy behavior with regard to the United States has also been discerned.

Hence the ambiguous nature of the policy that the countries of the Western European integrated association have conducted with regard to the problems of detente since the end of the 1970s and beginning of the 1980s. They have undoubtedly made a "contribution" to the worsening of relations between the countries of the two systems with their foreign-policy activity, bringing to naught some of the important results generated by detente. A tightening of their positions apropos of East-West trade and economic ties can also be traced, although it is namely in this sphere that the EC members have a much greater vested interest than the United States in maintaining normal relations with the countries of the socialist community. (Footnote 6) (At the beginning of the 1980s, the EC trade volume with the European CEMA countries was almost ten times greater than that of the United States.) And nonetheless, since the second half of the 1970s, the community has actually halted the liberalization of trading conditions with the Eastern European countries, and in some cases a strengthening of the discriminatory limitations being practiced against them is even taking place.

It would be incorrect, however, to see only a precise reproduction of American foreign policy in the actions of the Common Market countries. Even under conditions of an overall worsening of the international climate and increasing tension in the world arena, an attempt of the states in the EC to demonstrate a certain "loyalty" in relation to the socialist countries and a rejection of the logic foisted on them by Washington of total confrontation with them, along with a vested interest in preserving and developing political, economic, cultural and other ties between East and West, can be discerned.

The reaction of the EC to the events in Poland at the beginning of this decade was instructive. Naturally, the vested interest of the Western European bourgeoisie in weakening the socialist structure in Poland and changing the existing socio-political structure there, ultimately "returning" it to the Western camp, could not help but play a role here. After the adoption of decisive measures for normalizing the situation in the country by the Polish

leaders in December of 1981, a conference of the leaders of the foreign-policy departments of the EC was held in Brussels that was wholly devoted to the "Polish question." They adopted a communique that it is difficult to describe as other than a gross violation of generally accepted standards of international law. The overt interference in the internal affairs of a sovereign socialist states, the groundless accusations of violations of the Helsinki Agreement and the direct and indirect threats directed toward Poland and its allies--this whole set of formulations, already actively used by the Reagan administration, was also used in this communique.

But the attempt of the American leadership to "punish" the Soviet Union for assisting the frustration of the counterrevolutionary process in Poland and to use the "Polish question" to bring to naught the constructive ties between East and West in Europe did not receive clearly expressed support on the part of the Common Market. The steps to limit imports from the USSR adopted in February of 1982 under the pressure of the United States were of a largely symbolic nature.

The attitude of the Western European integrated association toward various types of "sanctions" against the countries of the socialist community serve overall as a quite visible description of the policy conducted by the EC in the realm of mutual relations between the two systems and in regard to the problems of detente. The following three circumstances seem noteworthy on this plane. First, all of the economic "sanctions" undertaken recently (i.e. since the end of the 1970s) against the socialist countries have been introduced at the initiative of the United States. The European community, as a rule, has played a passive role, and its position has moreover varied between sluggish support of the American position and quite energetic opposition to its policies for the use of the "trade weapon." Second, even when the members of the Common Market have felt it necessary to "signify" their solidarity with the United States, they have tried to do this at minimal economic and political cost, and frequently have simply limited themselves to declarative measures without any serious consequences. Third, the community members have reacted quite heatedly to all attempts to foist a "hard" line on them on the question of "sanctions."

In any case, the actions of the Reagan administration that were undertaken for the purpose of torpedoing the gas-pipeline project, and especially the attempts to extend the announced limitations to the Western European branches of American firms and trade in products produced under American licensing, have been decisively repulsed on the part of the EC. All of its principal organs felt it necessary to express officially a censure of the steps undertaken by the U.S. leadership, and moreover the corresponding declarations were composed using extremely sharp wording. Even the European parliament had its say on this issue, coming out in the unaccustomed role of "critic" with regard to the United States.

The overall state of mutual relations between the states of the two systems undoubtedly has an effect on the position of the EC on this or that aspect of detente. The worsened international climate has understandably created unfavorable conditions for orienting the foreign-policy activity of the EC toward supporting and developing constructive relations with the socialist

countries, seeking mutually acceptable solutions for disputed problems and reducing the military threat. At the same time, the activity implemented at the community level does not at all coincide with the policies conducted in the international arena by the United States. Sometimes the discussion concerns individual nuances of foreign-policy positions, in which the aspirations of the members of the integrated grouping to demonstrate their independence and ability to act freely of Washington are expressed first and foremost. But much more serious differences arise as well. They reflect the disparity of the international political aspirations of the two centers of imperialist rivalry and are associated with the aspirations of the states of the integrated association to ensure the stability of their own mutual political relations with the countries of the socialist community, avoid a dangerous balancing on the brink of war in Europe and make use of the advantages of the international division of labor. In this sense, the EC has even somewhat reduced the sharpening of tensions between East and West at the end of the 1970s and beginning of the 1980s.

The Soviet Union and the other countries of the socialist community are striving to see that the relations between CEMA and the EC are of a normal, equal and civilized nature. In 1985, the CEMA countries once again came forward with an initiative to arrange mutually beneficial collaboration between the two organizations. The ruling organs of the EC decided to give a positive response to this proposal. A new round of East-West negotiations is opening up a real possibility of normalization of relations between these integrated organizations, which will undoubtedly meet the interests of all of its participants and be useful for improving the climate both on the European continent and in the world overall.

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## SOCIALIST COMMUNITY AND CEMA AFFAIRS

### USSR EXPORTS AND COOPERATION WITH CEMA COUNTRIES

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[Article by B.A. Kheyfets: "The Development of the Export Potential of the USSR and Collaboration with the CEMA Countries"]

[Text] The article reviews a number of theoretical and practical aspects of the formation of the developed export potential of the USSR. Especial attention is devoted to a restructuring of the pattern of exports to the CEMA countries, first and foremost through increasing deliveries of modern equipment and the development of new sectors of export potential. Several specific organizational and economic measures are proposed for improving export potential.

The policy for accelerating the socio-economic development of the country planned by the CPSU requires a new approach to the development of foreign economic ties and a substantial increase in the efficiency of Soviet participation in the international division of labor, first and foremost in economic integration with the countries of the socialist community. The creation of a developed export potential is acquiring an important role in resolving this task. A strengthening of the positive influence of the international division of labor on the economy of the USSR, as well as a strengthening of the socialist community overall its stable and consistent development, depends greatly on this. Major goals in improving export potential were projected at the 27th CPSU Congress, where the necessity of imparting "a more efficient nature" to exports and "a turn of the ministries, associations and enterprises toward an increase in the export potential of the country" were emphasized (3, pp 30, 257).

Interest in export potential is especially becoming stronger, as in recent years the evaluation of the role of foreign economic ties in the development of the national economy has changed substantially. In the past, the point of view was widespread that exports were considered first and foremost an essential source for obtaining foreign currency to pay for goods and services procured abroad. This also had an effect on the policy of forming export potential and on the pattern and nature of its development.

The internationalization of economic life and the activation of the participation of the Soviet economy in the international division of labor and socialist economic integration have advanced qualitatively new criteria for defining export activity, which is becoming not only a balancing means of covering imports, but also a most important factor in raising the efficiency of the national economy, first of all through the achievement of better technical and economic indicators in the export sectors.

In this regard, it is essential to dwell first on a definition of the category of "export potential" itself. This seems important to me because there is still no unambiguous treatment in economic literature. In my opinion, export potential in general terms can be described as as the maximum capability of the national economy at a given level of development of productive forces for the production of goods and the rendering of services for export that are competitive on the corresponding foreign markets. I would especially like to emphasize herein the necessity of including the export of various services in export potential, which services, as world practice has shown, are generating an ever greater amount of foreign-currency receipts. In the United States, for example, the value of export services has already reached 40 percent of the value of commodity exports. The significance of the export of services, and first of all science-intensive ones, will grow even more in the future.

It is apparent from the above definition that export potential depends not only on internal conditions of economic development, but on external factors as well. Internal conditions include the level of economic, scientific and technical development, specific features of the sector structure of production, productive capacity and the extent of its utilization, the supply of natural resources and the level of their assimilation, the quantity of labor resources and the quality of their professional training, the efficiency of the division of labor and the organization of production, the scale of development of the infrastructure, including that supporting foreign ties, the extent of inclusion in the international division of labor and the costs of the production of goods for export, the state of the balance of payments and the like. Among external factors are the amount and structure of demand on the foreign market, competitive market conditions, the degree of development of international collaboration and the state of the economic and political relations of the given country with various states, specific features of this or that form of international collaboration within which the export deliveries are carried out (Footnote 1) (Thus, the specific conditions of deliveries can be stipulated with the payment of dedicated credits made for the development of specific types of production, with the sale of the products of joint enterprises and the like), the specific nature of the mechanism of foreign-trade price formation etc.

The actual and the realized export potential should be distinguished. The degree of realization of export potential is largely determined by the effect of external factors. For example, the national economy can allocate a certain amount of this or that commodity for export, but for some reason (unacceptable prices, customs barriers, political factors and the like) it cannot be sold on the foreign market or is sold at a level of efficiency inadequate for the country. The effect of external factors can be furthered to a certain extent

by the lack of coincidence of the structure of the country's export potential and its economic potential overall.

On the other hand, internal development conditions also have an effect on the realization of export potential. It is namely on them that depends whether or not the exports correspond to the requirements of the foreign market in volume, structure, quality and scientific and technical level. Furthermore, a situation can take shape wherein the national economy, producing a number of goods and services that correspond to the requirements of the foreign market, refrain from delivering them for export by virtue of the necessity of satisfying certain of its own requirements.

Thus, it is extremely difficult to establish well-defined boundaries for export potential. Being a component of economic potential overall, export potential is most ready to implement foreign ties in the economic, technical and organizational regards as a component of it.

At the same time, export potential should not be represented as a relatively isolated sector of the national economy. Moreover, a gradual erosion of the boundary between export potential and economic potential overall occurs to the extent of an increase in the overall economic and scientific and technical development of the country, especially according to the criteria of technical level and product quality, the development of services, the attendant deliveries of commodities and the like.

In the ideal case, there should exist no fundamental differences between products produced for export and products for internal consumption, while the corresponding proportions of distribution for foreign and domestic markets should be determined first and foremost based on the specific tasks and conditions of economic development.

From the above it follows that only a reinforcement of economic potential overall can ensure the creation of a developed export potential. At individual stages of economic development, however, the necessity arises of achieving an accelerated development of export potential in selected directions by way of the corresponding purposeful concentration of resources.

In defining the limits of export potential, there also exist difficulties of another sort associated with the fact that exports are supplied not only by the immediate producers of the corresponding products or services, but also by a number of related types of activity that supply them with raw and other materials, fuel, power, the service infrastructure and the like. Thus, according to a number of estimates, some 700,000 people in Hungary are employed directly in production for export to the CEMA countries. Taking into account the support sectors of industry and the service sphere supporting export production, the number of those employed with regard to exports is roughly 1.5 times greater--about 1 million people.

Export potential is one of the most important comprehensive characteristics of the capabilities for the national economy to participate in the international division of labor. It includes a number of sectors, among which the following can be singled out: the production or procurement for export of certain goods,

activity for the sale of export products, marketing and other attendant services (repair and follow-up support, storage, shipping, technical assistance, training of specialists, insurance and the like), scientific research, planning and design development within the framework of scientific and technical collaboration, scientific research and development providing for the export of licenses and patents, the granting of tourist, construction, repair and financial services to foreign customers, services in the shipping of foreign through cargoes, the charter of aircraft and ships, the leasing of machinery and equipment, the granting of machine time on computers, databases and other types of rental and concessions and activity for selling them.

Furthermore, an evaluation of export potential would be incomplete without regard for other foreign receipts (the income of joint enterprises and organizations located abroad, interest payments for credit and loans and the like). As a rule they reflect, of course, the impact of export potential realized in the past in the form of the delivery of goods and services or the presentation of foreign currency in credit form. It seems, however, that the conditional nature of these positions can to a certain extent be included in a description of the export potential existing at a given moment.

Thus, the amount of all foreign receipts of the country over a year for which national sources lie directly or indirectly at the foundation can serve as a specific quantitative expression of realized export potential, i.e. the actual income portion of the balance of payments with the exception of foreign investments and foreign loans and credit. (Footnote 2) (Certain caveats should be made here as well. A skewed representation of export potential is given by re-export, especially direct, which actually assumes a double counting--receipts from exports through which the commodities were imported for re-export, and the actual receipts from re-export.)

The reinforcement of export potential is an enormous political, as well as economic, task. The course of its resolution is largely determined by the situation of the country in the worldwide division of labor, as well as its reputation and influence in international relations. In this regard, a particular role is played not only by the quantitative scale of export potential, but also by its qualitative characteristics, whose influence can be much more long-term and deeply felt. Among such qualitative characteristics, those at the forefront today include the scientific sophistication of export products, the unique nature of specialization, the possibility of maintaining and continuously improving the marketability of traditional export commodities, the ability to adapt in a flexible and rapid manner to changing market conditions, the reliability of the fulfillment of circumstances, the provision of a whole set of services with regard to export sales and the like.

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The basis of Soviet export potential is export production, which to a decisive extent determines the efficiency of its functioning. In 1985 USSR exports totaled 72.5 billion rubles, of which 40 billion rubles, or more than 55 percent, went for export to the CEMA countries. Soviet export generates almost 2/5 of the total exports of the socialist community.



USSR exports provide a considerable portion of the import needs of the CEMA countries for the most important types of products. Thus, at the beginning of the 1980s they covered up to 80 percent of the import needs of the other CEMA countries for oil and petroleum products, 99 percent of natural gas, 90 percent of iron ore, more than 60 percent of cotton, anthracite and manganese ore and 75 percent of rolled metal and phosphorus fertilizers.

Over 1971-1985 alone, USSR exports to the CEMA countries increased by 6.4 times, i.e. grew considerably faster than national income (roughly 3.4 times). At the same time, export growth in recent years has basically occurred through price increases. Thus, in 1981-1985 the physical volume of USSR exports to the CEMA countries grew by only 1 percent. (Calculated according to (6, 1981 p 17; 1986 p 17).) Aside from the need to balance commodity turnover with the CEMA countries, an ever greater role in this is being played by the insufficiently rapid improvement of the structure of USSR export production, which does not provide for surmounting the so-called "structural barrier" in USSR trade with the CEMA countries that has arisen.

The point is that the increase in export potential in the last two or three five-year plans was basically determined by growth in the deliveries of fuels and raw materials, for which a substantial portion of our export goes. The share of products of the machining industry, and first of all machinery and equipment, in the structure of these exports is insignificant.

The possibilities for increasing Soviet export of fuel and raw materials are objectively limited, since expenditures for their production and transport have increased considerably in recent years, and the corresponding domestic needs of the country have increased. In 1986-1990, the USSR plans only to preserve the major volumes of exports of the principal types of fuel and power resources at the level achieved in 1985 (7, 1985, No 6 p 12).

Under such conditions, especially taking into account possible changes in contract prices for fuels and raw-material products, the most promising areas for the development of the export potential of the USSR and the improvement of its structure are an expansion of the deliveries of machinery and equipment along with a number of other modern high-quality finished products, as well as increasing the export of technologies and new types of services. (Footnote 3) (Thus, Academician O.T. Bogomolov writes that with the retention of exports of fuel and power resources and raw materials from the USSR at the 1985 level or its relatively insignificant increase for certain items (for example, gas or electric power), a minimum acceleration of 3-4 times in the growth of Soviet exports of machinery, equipment etc. is required to maintain a desirable dynamic of trade with the European CEMA countries (see (7, 1986, No 2 p 48)).)

The development of these areas is favored by the fact that they correspond to the today's most topical tasks of intensification and raising the efficiency of the Soviet economy, the resolution of which are impossible without the technical retooling of the national economy. As was noted at the CPSU Central Committee Conference on Issues in Accelerating Scientific and Technical Progress (June 1985), "The task of raising Soviet machine building is one of the main areas of our development and it must be firmly maintained today and tomorrow" (5, 1985, 12 June). The Fundamental Areas of Economic and Social

Development of the USSR for 1986-1990 and for the Period to the Year 2000 envisage an increase of 40-45 percent in the output of machine-building and metalworking products for the 12th Five-Year Plan compared to 1981-1985, which is almost twice as much as the analogous indicators for all of industry. In order to ensure this growth and qualitative transformation of machine building itself, a 1.8-time increase in capital investment for the development of this most important group of industrial sectors is projected (3, pp 241, 285).

Possessing a practically universal structural economy, the USSR can develop quite a broad circle of specialized sectors compared with other countries. At the same time, the necessity of raising the exports of the machining industry, as well as ensuring continuous growth in the marketability of export products in both the quantitative and especially qualitative regard in relatively compressed time periods, makes it expedient to concentrate efforts first on certain carefully selected areas of development. (Footnote 4) (World experience demonstrates that good results in the foreign market are difficult to achieve with excessively broad specialization. In Japan, for example, according to several estimates, only 1/6, and in West Germany only about 1/5, of the known types of machine-building products are produced (16).) The issue is the purposeful acceleration of the development of individual promising areas of specialization, which of course does not exclude growth in export resources and other sectors of the machining industry. This selective approach is currently acquiring ever greater significance in the development of structural and investment policy and for the national economy overall.

An important means of forming a well-defined profile of specialization and increasing the scale of export potential of machine building and other sectors of the machining industry of the USSR with regard to the CEMA countries is collaboration in international specialization and cooperative production, which is today based on more than 220 multilateral and bilateral agreements and treaties that encompass 15,000 types and sizes of machine-building products. Within the framework of this collaboration, the USSR carries out deliveries of highly productive metalworking, mining, materials-handling and road-construction equipment and motor vehicles to the CEMA countries. The Soviet Union plays a leading role in the realization of a number of major cooperative agreements for the production of computer equipment, nuclear power plant equipment and several other types of machinery and equipment.

The USSR, with its enormous economic and scientific and technical potential, objectively has at its disposal good opportunities for increasing the production and export, aside from the commodities traditional for its specialization in the community, of several of the newest types of resource-conserving technologies, as well as scientifically sophisticated finished products or individual components of such modern-day structure-defining sectors and types of production as electronics and microelectronics, instrument building, electrical equipment, machine-tool building, robot technology, bioengineering machine building, polymer chemistry etc. There are favorable preconditions being revealed here with regard to the adoption of the Comprehensive Program of Scientific and Technical Progress of the CEMA Member Countries to the Year 2000. This program envisages a concentration of efforts and the organization of comprehensive collaboration within the framework of CEMA in five priority areas: the computerization of the national economy, the

automation of production, nuclear power, new materials and technologies for producing and machining them, and biotechnology. It is envisaged that the development of more than half of the 93 problems included in the program will lead, as early as by the end of the 1980s, to the production of the first prototypes of fundamentally new types of machinery, equipment and materials. This will allow the arrangement of their production and an increase in the mutual exchange of market-competitive products. According to existing estimates, electronics items, computers and communications equipment will total about 15 percent of all deliveries of machine-building products among the USSR and the other CEMA countries in the 12th Five-Year Plan.

Along with innovation and a high technical level, a most important feature for ensuring the marketability of machine-building products in foreign markets and expanding their export is raising the quality and operational reliability of export articles.

The following data testify to the close link between quality and marketability. According to several estimates, an export commodity whose quality is 5-10 percent lower than the best models generates 15-20 percent less receipts from its sale in the foreign market (8). But more important is the fact that with low quality, it is difficult to penetrate the foreign market at all, while a reduction in quality, as a rule, turns into a loss of customers. It is typical that the great success of a number of Japanese goods in foreign markets in the 1970s was furthered first of all by their high quality and reliability, and not by technical perfection compared to analogous items of other countries.

Many types of machine-building and other products of the machining industry produced in the USSR have good technical and economic indicators compared to the best world models. Thus, basic power equipment is at the level of the best foreign analogues in materials consumption. Domestic Francis, diagonal and Kaplan turbines occupy first place in the world in terms of capacity, quality and operational reliability. Many countries of the world gladly purchase powerful Soviet excavators with scoop capacities of 5, 10, 15 and more (up to 100) cubic meters, aircraft and helicopters, Lada passenger cars, the machining centers of the Ivanovo Machine-Tool Building Association imeni 50th Anniversary of the USSR, integrated circuits, resistors and the like.

At the same time, a number of items are produced with poor technical and economic features and poor design. Thus, only 29 percent of series-produced machine-building products correspond to world standards. In several sectors of machine building, including those that determine scientific and technical progress, this indicator is even worse--14 percent for Minstankoprom [Ministry of the Machine Tool and Tool Building Industry] and 17 percent for Minpribor [Ministry of Instrument Making, Automation Equipment and Control Systems] (5, 1986, 19 June). This naturally has a negative effect on export capabilities.

The conquest of export markets is a distinctive form of open economic competition with other countries. K. Marx wrote "...only foreign trade expands the true nature of surplus labor as value, developing the labor contained in it as social labor, which is presented in an unlimited series of consumer values and really imparts a sense of abstract wealth" (1).

Deliveries to the world market are therefore the most impartial and objective criterion of the technical and economic level and quality of products and, like litmus paper, display the corresponding achievements and shortcomings in the development of production.

The new edition of the CPSU Program formulates the following task: "Soviet products should embody the latest achievements of scientific thought, correspond to the highest technical, economic, aesthetic and other consumer standards and be competitive on the world market" (3, p 142).

Major measures have currently already been developed to raise the quality and reliability of machine-building products. Their realization, as noted at the June (1986) Plenum of the CPSU Central Committee, will make it possible to increase the proportion of basic types of products that correspond to world standards to 80-95 percent, and that of those being developed to 100 percent, by 1990. The complete transition to product output that meets the highest requirements is projected for 1991-1993 (5, 1986, 17 June).

Making collaboration with the CEMA countries more active through a deepening of the interaction of their scientific, technical and productive potential and the development of direct contacts among the immediate producers of export products and their consumers will play an important role in raising the quality and technical level of export machinery and equipment. The Fundamental Areas of Economic and Social Development of the USSR for 1986-1990 and for the Period to the Year 1990 points out the necessity of "utilizing more fully the opportunities for raising the technical level and quality of machine-building products through the further development and reinforcement of the integration of machine-building sectors along with specialization and cooperative production within the framework of the Council for Mutual Economic Assistance."

It should be noted that collaboration with the CEMA countries will play an important role in the development of a number of other sectors of export production as well. Thus, the other CEMA countries are taking part (credit and financial, business trips of construction workers and specialists) in the construction of a number of facilities in the USSR, principally in the fuel and raw-material sectors, in the products of which they have a vested interest. Thanks to such collaboration implemented in 1976-1980 alone, they received annually an additional 5.5 million tons of ferruginous raw materials, roughly 210,000 tons of various ferroalloys, more than 200,000 tons of bleached sulphate pulp, about 120,000 tons of asbestos, 6 billion kWh [kilowatt-hours] of electric power and over 15.5 billion cubic meters of natural gas. In 1986-1990, the CEMA countries will participate under similar terms in the construction of the new Yamburg--USSR Western Border trunk gas pipeline and the Krivoy Rog Ore-Enrichment Combine, the assimilation of the oil and gas fields of the Caspian Depression and the further development of the Combined Power Grid of the countries of the community.

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A major element of export potential is the scientific and technical sector, which is gradually being transformed into a leading factor defining the level

of development of export potential overall. In most cases, the scientific and technical sector is difficult to separate from the productive sector of export potential. A strengthening of the interconnection of productive and scientific and technical collaboration, scientific and technical development and productive activity has been observed in recent years.

At the same time, the scientific and technical sector of export potential also has independent significance. Therein, as world practice shows, the role of receipts from the sale of national scientific and technical developments is constantly increasing under modern conditions. Over the last 10 years, the world market for technology has grown by almost 4 times, and turnover in the trade of licenses exceeds 28 billion dollars.

Licensing export still plays an insignificant role in the relations of the USSR with the CEMA countries. In general, the uncompensated transfer of scientific and technical information and documentation predominated for a long time in mutual relations. Thus, in the postwar period, thanks to the receipt of scientific and technical information from the USSR, the foreign CEMA countries saved about 30 billion dollars that they otherwise would have had to spend to acquire patents, licenses, capital-construction plans and the like on the world market (11).

Licensed forms of technology transfer only began to be developed in the 1970s, but licensed trade is characterized by high rates of growth. By the beginning of the 1980s, the USSR had more than 200 licensing agreements with the CEMA countries. In 1981-1985, the volume of Soviet license export to the states in the community has increased considerably. Thus, Politekhna (Czechoslovakia) acquired Soviet licenses for evaporative cooling of blast furnaces, coking batteries, the Q-meter electronic measuring device and technology for the production of phenolformaldehyde resins, as well as technology for the production of grinding powder for the manufacture of grinding tools. Soviet licenses for the installation of high-temperature conversion of natural gas and for the production of axial-piston engines were sold to the GDR (see (9, pp 71-72)). There are many more such examples.

Enjoying worldwide recognition, the achievements of Soviet science create favorable preconditions for expanding licensing export, first and foremost to the CEMA countries. Over the 28 years of its existence alone, the USSR State Registry of Discoveries (since 1957) has recorded some 300 basic discoveries that have radically altered the traditional conceptions of scientists in various spheres of knowledge. The USSR, whose population makes up 1/17 of the world, has about 1/5 of all inventions registered annually worldwide.

It should be emphasized that growth in the export of licenses, as a rule, is accompanied by an increase in the export of the corresponding technology and its components, materials etc., i.e. leads in turn to other progressive shifts in the structure of export potential.

The expansion of license export requires making the patenting of Soviet inventions more active, the more precise determination of the priorities of the specialization of scientific research and development, and an increase in reciprocal procurements of licenses from other CEMA countries and the like.

An important reserve for raising the export capabilities of Soviet scientific and technical potential is a deepening of scientific and technical cooperation within the framework of the community, which allows the fuller utilization of the enormous achievements of the basic and applied sciences, as well as the experimental-production base, with a regard for the specific features of individual countries. The Comprehensive Program of Scientific and Technical Progress of the CEMA Member Countries to the Year 2000 envisages the active participation of a number of Soviet scientific research organizations, scientific production associations and intersectorial scientific and technical complexes in leading the joint research of the CEMA countries in the most important areas.

Great possibilities also exist for expanding other sectors of export potential. Thus, the technical assistance rendered to the foreign CEMA countries by the Soviet Union in the construction of enterprises and the installation and adjustment of equipment plays a substantive role in their economic development. In the European countries of CEMA alone, over 800 industrial enterprises and other facilities were built and put into operation with the assistance of the USSR in the beginning of 1985, while another 400 are in various stages of construction. The overall capacity of the facilities provides for the annual smelting of 19 million tons of steel, the output of 24 million tons of rolled metal, the refining of 40 million tons of oil, the production of 30,000 tractors and the generation of roughly 140 billion kWh of electric power.

Raising the efficiency of mutual technical assistance is associated with strengthening its specialization with a regard for the specific features of the current and future stages of development of the countries of the socialist community. The need to resolve the tasks of intensifying the economy based on accelerating scientific and technical progress in particular requires an expansion of this collaboration in the newest and most scientifically sophisticated sectors of machine building and the chemical industry, which will be rapidly developed in the countries of the community. Favorable prospects are revealed herein for combining the efforts of the CEMA countries for joint entry into the markets of the developing countries. The significance of technical assistance in the reconstruction and modernization of existing enterprises is also increasing, which makes its own specific demands compared to new construction.

One new type of technical assistance that could become an independent sector of USSR export potential in the future is so-called engineering services. They include the execution of preliminary research and the preparation of the technical and economic grounding of a project, technical surveillance of the construction and installation of equipment, consulting on various aspects of the management and production activity of the enterprise and other types of operations of a technical and economic nature, which are not accompanied by the direct export of equipment or materials or the execution of construction. (Footnote 5) (Estimates show that in the construction of complete installations, some 40 percent of total expenditures go for non-material services of an engineering nature.) Examples of this type of collaboration could be developing recommendations at the request of Czechoslovakia on the

employment of mathematical methods for resolving tasks in scheduling planning for the metallurgical plants of Kladno, doing expert analysis of plans for the creation of a metrological center in Bratislava or preparing a plan for the reconstruction of the Budapest Ship- and Crane-Building Yard by Leningrad specialists at the request of Hungary (see (9, p 119; 10)).

This sphere of foreign economic activity is being successfully developed in a number of other CEMA countries. Such engineering business organizations as Tekhnoeksport, Bioinvest and others are functioning in Bulgaria. Interesting in this regard is a study of the experience of the engineering activity of the fraternal countries, as well as the development of collaboration with them for the joint expansion of the corresponding exports into third countries.

A compulsory precondition for expanding deliveries of machinery and equipment is ensuring the appropriate conditions for its operation. The creation of special centers or stations for technical maintenance, warehouses of spare parts, educational centers for the training of specialists in operation and maintenance etc. in the importer-countries has great significance herein. All of this can become a substantial additional source of export receipts. It has been calculated, for example, that the share of expenditures for maintenance and small-scale repairs of medium-size passenger cars is 35-45 percent (depending on the make of the vehicle) of the sale price with a lifetime of 250,000 km (12, p 154). Practice shows that the efficiency of the sale of spare parts is on average 1.6 times greater than the export of the machinery and equipment itself.

The Soviet Union has signed agreements with Bulgaria, Hungary, East Germany, Poland, Czechoslovakia, Mongolia and Cuba that envisage the creation of a number of technical centers in these countries for improving the maintenance of the Soviet equipment they buy. In the CEMA countries overall, there are now 49 such centers (6, 1985, No 8 p 24; 7, 1985, No 9 p 49). According to the data, as of the beginning of 1984 some 112,000 local specialists had been trained in the educational centers operating in the CEMA countries, including 33,000 in Bulgaria, 10,500 in Hungary, 13,000 in East Germany, 34,000 in Poland, 12,000 in Czechoslovakia, 6,500 in Cuba and 3,500 in Mongolia (15).

Certain development, especially in the regions bordering the socialist countries, can be obtained through the leasing of computer time used in international economic relations and the licensing of machinery and equipment (in particular, transportation equipment, road and construction machinery and agricultural equipment, as well as complex instrumentation and several types of the newest equipment). Aside from the fact that this collaboration expands the opportunities for export, it facilitates the more efficient utilization of the inventory of machinery on a community scale, as well as the acceleration of the renewal of fixed capital in the renting countries without considerable initial expenditures. (Footnote 6) (In the United States at the beginning of the 1980s, for example, up to 25 percent of the machinery and equipment sold in the country went for licensing, while in 1970 this indicator did not even exceed 10 percent (see (12, p 128)). After rental for period of several years, the rented equipment, as a rule, is acquired for correspondingly reduced prices by the renter.)

The same relates to the sphere of transportation services, the prospects for the development of which are associated with an expansion of the contacts of the foreign CEMA countries with Mongolia, Vietnam and Korea, as well as China, Japan and a number of other states in the Pacific Basin, and the latter with Western Europe. The activity of the Transsiberian Container Line (TSCL), which has operated in the Far East since 1967, testifies to this. It provides for the shipment of containers from Japan, Hong Kong, the Philippines and Australia to European countries and back. In 1971 a little more than 2,000 containers were shipped on this line, while some 153,000 were in 1982. The placement in service of the BAM [Baykal-Amur Mainline] allows a reduction in container shipping time to 20 days, which will facilitate the further development of the TSCL (13). Substantial reserves for development exist in other sectors of export potential as well.

\* \* \*

The CPSU Central Committee and the USSR Council of Ministers decree of 12 Jul 85 "The Widespread Dissemination of New Management Methods and Strengthening Their Effect on Accelerating Scientific and Technical Progress" envisages the development of products for export by the manufacturing ministries, as well as component parts and raw and other materials for these products, along with sector scientific and technical programs for raising the efficiency, technical level, quality and reliability of export products (see (14)).

Practice has shown the large role of sector scientific and technical programs in resolving specific issues in the acceleration of scientific and technical progress in the national economy. In the 11th Five-Year Plan, for example, some 170 such programs were realized, including more than 40 dedicated large-scale ones. The development of export scientific and technical programs or the appropriate subprograms within the framework of sector scientific and technical programs will undoubtedly facilitate a rise in the marketability of Soviet export products.

At the same time, it seems that the resolution of the multifaceted issues of expanding exports in areas that have priority for the development of Soviet export potential could be ensured by the development and realization of a "package" of special export programs. These programs, providing for the essential concentration of resources, could become an important tool for the purposeful development and qualitative improvement of Soviet export potential.

Along with measures for raising the consumer features of export products, which will be included in the sector scientific and technical export programs as well, the special export programs could envisage a whole set of other steps to increase certain types of exports, and first and foremost articles from the newest sectors of industry, as well as science-intensive services. Among such steps, in my opinion, could be noted:

--the formation of sector funds, including foreign-currency ones, that would be used for making dedicated capital investments in export production, as well as for granting credit to the immediate producers of export products (or services) (Footnote 7) (A source for the formation of these funds could first of all be resources allocated in the planning procedure for the development of



export potential, as well as certain deductions of departmental enterprises);

--the development of the scientific and technical base of export production, as well as the procurement of licenses;

--the development of production among allied industries carrying out the development and delivery of essential component parts and assemblies for export products;

--collaboration with the CEMA countries, including in deepening production and scientific and technical cooperation for the development of the export potential of the sector;

--expansion of the production of spare parts for export products, the organization of the appropriate follow-up maintenance etc.

Ensuring the concentration of export production and the creation of specialized export bases or enterprises could become an important task of the export programs.

As early as 1921, V.I. Lenin expressed the idea of the necessity of imparting "an exclusively export nature" to production at a number of enterprises (2). At the 15th Conference of the VKP(b) [All-Union Communist Party (Bolshevik)] held in 1926, it was noted that for the maximum expansion of exports it was quite essential "to create a solid export base for the national economy by way of encouraging the development of the corresponding sectors of agriculture and industry" (14).

The concentration of export production is acquiring especial topicality today. The point is that the output of export products in this country is dispersed among a multitude of enterprises, where it occupies an insignificant place in overall production volume (as a rule, several percent) and, consequently, has practically no effect on its results. This is explained in many cases by the still weak vested interest of individual enterprises in the production of export products, since the absolute size of the funds for material incentives for export in the overall income is small. And, conversely, the greater the share of deliveries for export in the overall share of export production, the greater the absolute size of the supplemental payments and other deductions for export execution and their role in the formation of the income of a specific enterprise. It is no accident that in production collectives where considerable export deliveries are accomplished, there is, as a rule, a large vested interest in their fulfillment.

The concentration of export production at specialized enterprises or at scientific production associations also creates better conditions for the more consistent execution of the necessary technical policies, the strict observance of technological discipline, the assurance of closer coordination between scientific research and development and the assimilation of the output of new products, the organization of the production of spare parts and the rendering of follow-up services, i.e. for a constant increase in the marketability of exports.

Finally, the concentration of export production is also important from the point of view of reducing transportation expenditures for the delivery of export products and decreasing the heavy freight traffic on the transport network. On the plane of developing contacts with the countries of the community, this poses the task of creating specialized export enterprises in the western regions of the USSR oriented toward the other European CEMA countries, as well as the fuller utilization of the potential of the eastern regions for supporting the growing shipments to Vietnam and Mongolia.

One of the most important preconditions for expanding exports is strengthening the real vested interest of the immediate producers of export products. Expanding the rights of the primary business levels to implement foreign economic activity and their arrangement of direct contacts with the corresponding partners in socialist countries is acquiring great significance in this regard. Existing experience shows that the direct interaction of the immediate participants in collaboration, strengthening the effect of the human factor decisive in any socio-economic process, makes it possible to uncover new reserves for deepening integration and bringing additional and extremely substantial export reserves into circulation.

The new CPSU Central Committee and the USSR Council of Ministers decrees "Steps for Improving the Management of Foreign Economic Contacts" and "Steps for Improving the Management of Economic and Scientific and Technical Collaboration with Socialist Countries" (5, 1986, 23 September) reveal great opportunities for expanding the initiative of associations and enterprises in the development of export potential. They envisage granting the right of directly implementing export-import operations, beginning 1 Jan 87, to more than 20 ministries and departments of the USSR, as well as 70 major associations and enterprises. These rights will be granted to other ministries, organizations and enterprises to the extent of the creation of the appropriate preconditions.

These decrees also project other steps to make the role of the primary business levels more active and to increase export potential. Among them should be noted a strengthening of the mutually beneficial interaction between production and foreign trade and, in particular, the incorporation of economically accountable foreign-trade firms in the complement of enterprises that have been granted the right of independent access to the foreign markets and the establishment of contract relations between other interested enterprises and foreign-trade associations, along with the granting of the right to conclude business agreements and contracts for the delivery of products and the rendering of services associated with cooperation and the development of production to enterprises that are implementing direct contacts with partners in the CEMA countries, as well as to determine the economic conditions of collaboration, including to coordinate prices for cooperative component items and services rendered.

At the same time, a considerable increase in the economic responsibility of associations and enterprises in the event of their non-fulfillment of plan targets for the export of goods or of contract obligations is envisaged, which will also facilitate a more consistent increase in export deliveries.

Naturally, successes in the realization of the measures for improving the management of foreign economic contacts and the development of export potential will be determined in the end by the course of the restructuring of the whole Soviet economy and its transfer onto the rails of primarily intensive development. The objective necessity of the comprehensive resolution of all of these tasks exists overall with a regard for the prospects for the development of the USSR and the countries of the socialist community within the framework of the unified strategy of foreign economic contacts of the Soviet Union, an important constituent element of which is the strategy of collaboration with the CEMA countries.

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## THIRD WORLD ISSUES

### TAJIKISTANI AUTHOR ON U.S. RELATIONS WITH MUSLIM WORLD

[Editorial Report] Dushanbe TOJIKISTONI SOVETI in Tajik 25 September 1986 carries on page 3 a 1,300-word article, "The White House's Black Work" ("Kori siyohi qasri safed"), by Shodi Saidov. Saidov states that the CIA has two basic objectives. The first is to sow discord between the socialist world on the one hand and Muslim countries and national liberation movements on the other by confusing people with lies and turning people against communism. The second is to use the slogan of Islamic unity to tie the Islamic world to the West. Some people go so far as to advocate that all religions cooperate to fight communism, not only in the realm of ideology but also on social and political issues.

Saidov asserts that imperialist propaganda aimed at the national liberation movement depicts the imperialists as the "defenders of Islam" while depicting the USSR as the enemy of Islam, at war with Muslim countries. However this approach does not work, according to Saidov, because the whole Muslim world knows that the USSR guarantees freedom of belief.

According to Saidov, the United States reacted to the 1980 signing of the Soviet-Syrian treaty of friendship and cooperation by launching an intense propaganda campaign in Syria to malign communism. The United States also organized the clandestine Muslim Brotherhood and gave terrorist groups weapons and instructions. There were plans to kill Ba'th Party leaders and stage a coup. However, the Syrian security organs quickly attacked Muslim Brotherhood terrorist groups and "eradicated" them. In the summer of 1982 the Muslim Brotherhood launched attacks in several Syrian cities, including Aleppo, Damascus, Homs, Tartus, and Hama. As a result of the Brotherhood's attacks, "many innocent people were killed, hundreds of workers were wounded and their homes were destroyed." The population of Hama suffered worst of all because that city was the center of the Brotherhood.

Saidov says that U.S. conduct is similarly bad throughout the Muslim world, encouraging conflict between peoples, compelling fratricide, interfering in countries' internal affairs, and using U.S. military forces. The U.S. bombing of Libya killed hundreds of innocent civilians and caused much destruction. In Pakistan the government is against the people but is fully supported by the United States with money and weapons,

which are used for repression. As a result of the U.S. policy toward Pakistan bloody clashes occurred there recently, leaving hundreds of innocent people killed and thousands of innocent workers arrested.

In Afghanistan, the United States wants to oust the country's legal government and conducts an "undeclared war." There "bandits" operate with the help of imperialists and their Muslim Brotherhood "mercenaries." They attack schools, movie theaters, bridges, government buildings, hospitals, and granaries. They attack anyone who does not obey them, young or old, male or female. The USIA has allocated \$500,000 for "ideological diversion in Afghanistan." This funds a radio station which broadcasts "bandit" propaganda.

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## GENERAL ECONOMIC AFFAIRS

### GOSPLAN EXPERT ON NEW FOREIGN TRADE TIES

Alma-Ata NARODNOYE KHOZYAYSTVO KAZAKHSTANA in Russian No 12, Dec 86 pp 17-19

[Article by A. Zverev, expert in USSR Gosplan's Foreign Trade Department and candidate of economic sciences under the rubric "Improving Economic Management": "Foreign Trade Ties Are Being Strengthened"]

[Excerpts] Soviet foreign trade ties rest on a state monopoly. Various Soviet goods for export are sold and services are provided in international markets. At the same time we import necessary machinery, equipment, consumer goods, and good products. Analysis shows that Soviet foreign trade ties are growing dynamically and steadily.

This, however, does not mean that there is no room for improvement in this area. Restructuring of the economy requires restructuring of foreign trade.

What is the situation now?

In what direction will subsequent improving of management and planning in foreign trade contacts move? It is noteworthy that now conditions are developing which permit not only ministries and departments but industrial enterprises independently to decide questions concerning import-export activities.

We envisage the active involvement of the production sphere in the development and implementation of import-export plans and the expansion of the authority and an increase in the responsibility of industry ministries, production associations, enterprises, and organizations to plan and carry out decisions in this area.

The mechanism permitting industry to participate in Soviet foreign trade relations will be radically restructured. We will provide industry ministries, production associations, enterprises, and organizations the right to conduct export-import operations in international markets directly. The system of planning indicators which gauge the economic performance of ministries, departments, foreign trade associations, and firms as well as enterprise associations and organizations sanctioned to enter foreign markets will, correspondingly, change.

The establishment of export and convertible currency earning planning indicators for legal entities sanctioned to trade in international markets will be an important element in the improved planning mechanism of our foreign trade ties. First, this measure along with the implementation of the proposal on the valuation of industrial export activity in foreign trade prices should, first, raise the export producer's level of self-interest in the final result of his work. Second, it should provide more freedom to enterprises and foreign trade organizations in the choice of goods delivered for export and enhance their interest in improving the quality and the competitiveness of their output.

The current system of accounting among foreign trade organizations of the Ministry of Foreign Trade, the State Committee for Foreign Economic Relations of the USSR Council of Ministers and production associations (enterprises) for the delivery of goods for export provides that prices of these goods be based on wholesale prices (without turnover tax). Consideration is given to premiums established for export goods and for use in tropical climates, for production-engineering output with the highest quality designation and to additional incentive premiums. In 1985 additional incentive premiums of up to 20 percent of the wholesale price including premiums for export goods and goods for use in tropical climates, without turnover tax, were introduced.

However, practice has shown that the system to value the export activity of production associations (enterprises), based on wholesale prices with premiums, has not contributed to enhancing interest in improving production quality, has not produced any advantage for those work collectives that achieved success in accelerating scientific-technical progress, and has not prevented the output of outdated and ineffective goods.

On the other hand, valuation of the export activity of associations, enterprises, and organizations in foreign trade (not in wholesale) prices will permit us to respond better to the demands of international markets and will give industry the opportunity to react more effectively to changes in the market's demand for production quality. Enterprises which independently sell their production abroad will be interested in earning as much convertible currency as possible because the enterprise's convertible currency fund, intended for import purchases, will depend on it.

Convertible currency received from the export of goods and the provision of services will be counted toward fulfillment of plan indicators for export and convertible currency receipts established by the enterprises with attention given to export efficiency, product quality criteria, product technical level, and its market appropriateness as well as to other criteria. For this purpose conversion coefficients have been developed to translate foreign trade (convertible currency) prices for goods into Soviet rubles.

In addition, the results of an association's, enterprise's, or organization's foreign trade activity must be added to its overall economic activity and influence directly the development of funds for economic incentives.

We consider it worthwhile that associations, enterprises, and organizations establish their own funds from convertible currency deductions for financing export-import operations. This will raise their interest in increasing production for export. This convertible currency deduction mechanism for the production of goods and the provision of services for export has existed since the 60s. It has been improved and the amounts of convertible currency deductions differentiated based on the type of goods exported.

At present, association, enterprise, and organization funds are being deducted according to stable, long-term norms, from sales of goods and services, and also from all receipts from cooperative delivery operations.

These convertible currency funds, controlled by individual associations, enterprises, and organizations, along with borrowed means, will serve as the main source of funds for the import of machinery, equipment, materials, and other goods bought for retooling and renovating production and for conducting scientific research and experimental design operations as well as other work.

In the event that associations, enterprises, or organizations do not complete plan assignments and do not fulfill contract obligations, they bear economic responsibility and compensate for any loss from their convertible funds on hand. Now, if an enterprise miscalculates, the state will no longer pay the damages. The culpable party bears full responsibility.

The transition from the old system to a system of self-sustaining contract relations in conducting export-import operations will be an important element in managing the USSR's foreign trade contacts. As we know, delivery of goods for export without contracts has been done for a long time. Back in the 20s a system operated whereby the People's Commissariat of Foreign Trade [Narkomvneshtorg] independently procured export goods. In the 30s, procurement for export was entrusted to the appropriate economic organizations. Delivery was accomplished in accordance with state plans by suppliers who engaged in both production and sale of the goods on the basis of economic agreements concluded with foreign trade organizations.

The system of non-contract delivery of goods for export, in operation for a long time, suppressed the interest of industrial enterprises in increasing deliveries and in improving the quality and competitiveness of their output. Orders from the Ministry of Foreign Trade of the USSR and from the State Committee for Foreign Economic Relations of the USSR Council of Ministers were obligatory. They did not give enterprises the right to influence delivery conditions, to define the market for selling their product or fix the size of foreign trade prices, etc.

On the other hand, contractual relations between enterprises and foreign trade organizations that sell the enterprises' products abroad stipulate all of these conditions. This leads to a situation where all parties are equally interested in the results of the export operations. The system of self-sustaining contractual relations is spreading not only to export operations but also to import operations.



Therefore, associations, enterprises, and organizations not having access to the foreign market will have, if they conclude an agreement with a foreign trade organization, more opportunity to select the best version of a given export-import operation, one which will maximize convertible currency export receipts and minimize import expenditures in convertible currency.

The mechanism for Soviet foreign trade ties is constantly improving. New types and methods of planning and managing are appearing. At the same time, we must note that a number of questions remain unanswered. They concern improving contract and plan discipline for production and sale of export goods, developing additional measures to stimulate delivery of high-quality competitive products, and improving the convertible currency-credit and finance mechanism.

All these questions must be resolved in conjunction with the tasks on further improving Soviet foreign trade ties placed before state planning and foreign trade organizations and industry by the 27th CPSU Party Congress.

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## WESTERN EUROPE

### FRENCH FOREIGN POLICY LABELED ANTI-SOVIET

Moscow NEW TIMES in English No 15, 20 Apr 87 p 2

[Editorial]

[Text] Paris is the recognized arbiter of fashion. Alas, this claim made by admirers of Christian Dior and Yves Saint-Laurent does not apply to French foreign policy. Indeed, the military adventure in Chad, the extremely erratic approach to nuclear disarmament and other examples can hardly be classified as original or still less, meriting imitation.

Today the retro style in world politics is sweeping Paris. The latest instance is afforded by brazen arbitrariness and blackmail with respect to the Soviet citizen Lyudmila Variguina (Verdier), as also by the decision to expel several Soviet representatives on completely unfounded charges of "space spying."

It seems as if some circles in Paris are itching for the laurels won by Washington's and London's political pace-setters when they tried not long ago, again by means of spy mania, to impair relations with the U.S.S.R. and belittle its prestige. But the attempt boomeranged, for their prestige and diplomatic representation in the U.S.S.R. were seriously undercut in the tit-for-tat "expulsion war."

The French explanation of the current anti-Soviet manoeuvres is absurd, to say the least. The Soviet Union is celebrating the 30th anniversary of sputnik, setting up orbital space stations, proposing that foreign partners participate in highly complex space experiments, and offering a whole range of booster rockets to propel foreign artificial earth satellites into orbit. It is now accused of attempting to steal the secrets of the West European Ariane rocket. Indeed, a farce is being enacted in Paris under the rubric "Teacher Apes Pupil." Yet it was not a Soviet cosmonaut who was invited to go up in a French spaceship, nor, indeed, were the French satellites generously fitted out with Soviet instruments. On the contrary it was French specialists who benefited from our achievements which they complemented with their own contribution to international cooperation in space. Now they are trying to destroy this cooperation, even though it is detrimental to France's own national interests.

It is easy enough to perceive the main objective of the provocation--and provocation is what it is--engineered in Paris. Increasing scepticism is being voiced in the West about the charges of human rights violations, schemes to drive a wedge between Europe and the U.S., and other deadly sins, levelled at the Soviet Union. Our bold and innovative foreign policy and the growing renewal and increasing openness at home are shattering stereotype notions of the U.S.S.R. In response, conservative and reactionary elements in France too are looking for ways of discrediting the Soviet approach to external and internal affairs if not of effectively countering it.

Regrettably, ruling circles in France are still motivated by a policy of confrontation, instead of exploring the new way of thinking. Without new approaches it will be impossible to remove the accumulated mistrust, suspicion and complex outstanding issues.

The participation of Paris in the East-West dialogue presupposes extensive contacts with the Soviet Union. However, as the Soviet Ministry of Foreign Affairs stressed in its note of protest, the present action by the French authorities is completely at odds with their official avowals that they desire to promote relations with the Soviet Union on a constructive basis.

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## WESTERN EUROPE

### EEC ECONOMIC PROBLEMS OUTLINED

Moscow SELSKAYA ZHIZN in Russian 24 Mar 87 p 3

[Article by Yu. Maksimov, candidate of economic sciences: "The EEC: Thirty Years Later -- Why the Western European Economy is on the Skids"]

[Text] Prospects for economic development of the Common Market countries are not as bright as they once seemed. Experts from 12 Western European countries which are members of the Community have come to this disquieting conclusion. They believe that the EEC economic growth rate this year will not be 2.8 percent, as assumed earlier, but only 2.3 percent. But the Economic Commission for Europe (KES) [ECE] considers even this amount overstated, since the "world (capitalist) economy remains captive to serious disorders and uncertainties."

When the discussion turns to the decline in economic development rates in the Western countries the question naturally arises: Who will pay for the increasing economic difficulties? Who will become the victims of the skidding economy? Many years of experience in capitalist economic management provide the answer: It will be the ordinary workers, some of whom will end up outside the gates of the enterprises. Already at present, according to ECE data, there are 16.5 million unemployed in the Common Market countries.

This is associated most of all with internal problems: militaristic expenditures are increasing; business activity is declining; enterprises are going bankrupt and closing; ferrous metallurgy, shipbuilding, automobile manufacturing and the textile industry are experiencing a structural crisis.

International market conditions are also having a serious impact on the economic position of the countries in the Community. They are characterized by complications in the world capitalist market; innumerable "trade wars" and tension in the sphere of currency relations caused by the aggressiveness of the "weakened" dollar.

Practice shows that the Common Market countries, although sovereign states, are nonetheless forced to adapt trade and currency policies to the interests of their overseas partner. Alliance relations today resemble a horse and rider, where the politicians from the White House hold the reins.

The fact is that the EEC is the main trading partner of the United States. It conducts 30 percent of worldwide capitalist trade. Commodity turnover between the U. S. and the EEC is figured at \$130 billion per year. Dependence on exports to the U. S. is tremendous. And the state of the Western European economy depends largely on how trade with the States is going.

Washington, attempting to secure military superiority over all countries in the world, has swollen its military expenditures to huge proportions and turned the U. S. from a creditor into a debtor nation. This policy led it into the quagmire of a severe financial crisis, which it wants to escape by transferring its burden to its allies, including Western Europe. "Our problems are yours to solve," the U. S. cynically tells the Western Europeans.

A policy of protectionism and "trade wars" is being used in particular as the means of achieving its goals. Washington is acting in a blatantly aggressive fashion, "in the spirit of Rambo." Here is a recent example. In a dispute with the EEC countries over the sale of grain, the Reagan Administration declared that it is sharply increasing the high tariffs on imports of a number of Western European food products, while the Community was preparing to respond by raising the duties on American rice and corn fodder.

The dispute lasted several weeks. In the end the Community capitulated. This can not help but have a negative impact on agriculture in the EEC countries. Substantial concessions to the United States will lead to a decline in prices for Western European farm products, a reduction in their income and a further rise in social tension. "Relations with the U. S. are clearly worsening," recently stated Willy de Clerc, the EEC head of the trade negotiations. "Instead of putting their own house in order," notes the Paris FIGARO, "the Americans are attacking their partners, using any means."

Along with an aggressive trade policy, Washington is successfully devaluating the dollar as a weapon of blackmail and pressure on its Western European allies. The U. S. is deliberately reducing the exchange rate of its monetary unit. The White House believes this will improve the competitiveness of American goods, while simultaneously reducing demands for the products of its EEC competitors and, as a result, will lower the U. S. foreign trade deficit.

Under pressure from the rapidly falling dollar the partners in the European currency system were forced to "level" the exchange rate of certain monetary units, revaluating the FRG mark, Dutch guilder and Belgian and Luxembourg franc. Recently, at a conference of the finance ministers of the six leading Western powers in Paris, the U. S. succeeded in imposing decisions which again are not advantageous to the countries of the Community.

The clash of trade and currency interests is taking on the scale of a strategic battle. In its struggle with its competitors, Washington, observers believe, does not intend to stop half way. Threats are multiplying that it will employ new trade and currency repression. This is an obvious manifestation of state terrorism in economic relations.

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## EASTERN EUROPE

### HUNGARIAN-SOVIET JOINT VENTURE MICROMED OPERATIONAL

#### Micromed: First Joint Venture

Moscow NEW TIMES in English No 14, 13 Apr 87 pp 26-27

[Article by Alexander Kuzmin and Boris Kozlov]

[Text] Micromed is the name of the first joint Hungarian-Soviet enterprise for the production of automated diagnostic sets for mass checkups of the population commissioned in Hungary. This modern medical equipment is a result of the fusion of Hungarian microprocessor technology and Soviet research.

Micromed was founded by the All-Union Medical Engineering Research Institute (VNIIMP) and the Hungarian firm Medicor. It is a marriage at once of specialists in the two countries, and of science and industry.

#### The Partners

Medicor is located in Budapest and has subsidiaries in many towns in the republic, including Esztorgom. It produces about 400 types of medical equipment and instrument. More than half of the output is exported to almost 70 countries, the Soviet Union being one of Medicor's biggest customers.

Medicor's products are specialized and labour-intensive. By using the latest achievements of science and perfecting its technology, the enterprise is not only expanding the range of its output but is also quickly switching to the manufacture of ever more advanced medical equipment and instruments. Medicor manufactures roentgen generators, portable diagnostic instruments such as myographs and electrocardiographs, in short, everything that is so rapidly and irreversibly joining the arsenal of contemporary medicine.

VNIIMP is primarily responsible for research and development. Vladimir Viktorov, Doctor of Sciences and director of the institute, is rightly called one of the fathers of Micromed. He recalls how the idea arose, at first seeming just a seductive idea but with time winning many dedicated supporters.

"Why did we team up?" he repeated the question. "The time factor made it essential. Look how rapidly scientific solutions and technologies succeed each other in the course of manufacturing equipment. It is hard to keep pace with these changes. It is also clear that the production capacities we are now creating as a result of the merger will, on the one hand, free each side of the need to import from capitalist countries and, on the other, enable us to appear on the international market."

"When did you begin to feel this?"

"About three years ago we proposed setting up a joint enterprise and did a feasibility study. The idea is quite simple: we have research facilities and new research and development, but our industry is slow in getting production off the ground. At the same time our Hungarian colleagues have a dynamic modern production base. By joining forces we can create an enterprise responsive to new scientific ideas and the demands of the world market. For instance, if microprocessor technology is used in the production of medical equipment, any doctor will be able to carry in his pocket, say, a portable cardiograph that is as convenient and simple to handle as an electronic wrist watch...."

#### The Beginning

Says Istvan Martos, director-general of Medicor: "We began by looking together with Soviet colleagues for local resources to set up a joint enterprise. We decided to use one of Medicor's subsidiaries as a base, the precision mechanics and electronics plant in Esztergom.

"Everything Micromed does, including marketing, is based on principles of self-financing. The charter of the new enterprise takes its specific features into account, but in practical terms, has copied the legal norms of other mixed enterprises already operating in Hungary.

"An authorized capital of 168 million forints was established to underwrite Micromed's operations. Each partner contributed an equal share. The Hungarian share consisted of material assets while the Soviet side made its contribution in cash. To meet new expenditure (as from 1988) for production needs it is intended to increase the authorized capital by another 56 million forints. The profits of the enterprise, including those in freely convertible currency, are to be shared out equally between the founders after compulsory payments have been deducted. It is still difficult to predict the profits but I will give you the following figures as an illustration: Medicor's production programme envisages an annual output of 100 million rubles by 1991 and thereafter, of 280 million rubles."

A further question to Istvan Martos: "What are the main difficulties now encountered by the joint enterprise?"

"Any number of impediments of the same type have been revealed in the economies of our countries, as have common questions that require solutions. First, there is the problem of price structuring, which follows

a different pattern in our two countries, different methods of labour remuneration and mutual deliveries. There are also many legal factors... But, still, our ship is under way."

A question to Vladimir Viktorov, the VNIIMP director: "What is being done to overcome these difficulties?"

"Draw up proposals to remove the impediments and we will remove them," we were told at the Council of Ministers of the U.S.S.R. And we are now preparing such proposals with due account for the main objective--to retain the system of prompt deliveries of components and reduce to the minimum--one month!--the time needed to develop new products. This will take a tremendous effort."

"In that case, could I have a frank answer to the following question: would it not have been simpler to continue working in the old way? Could we have done the job without the Hungarians, or the Hungarians without us?"

"In theory we could have done it in eight-ten years. We would need time to design and build the enterprises and fit them out with equipment... But by then we would have discovered that the equipment had become obsolete and new equipment was necessary. So the do-it-yourself approach will not work. We would have wasted money and still failed to catch up with world progress. Things are different with the joint enterprise: we are starting production in April. Take this cardiograph, for instance," and he lovingly displayed on his palm a thin box, smaller in size than a pocket calculator. "We have already spent more than a million on the development of this beauty. But whereas in the past we would get our investment back at best within a period of ten years, at our joint enterprise we will start making profits and recouping on our investment as early as April."

"You mean that Micromed will bring in profits from the outset?"

"Since the plant has gone into operation, profits must flow back as well--in rubles, forints and the currencies of third countries. We intend during the first three-four years to spend our profits on expanding production, and thereafter on social needs and requirements. We intend to establish ourselves firmly on the international market, offering new models and new products every year."

#### The Plant

It is not hard to find the precision mechanics and electronics plant in Esztergom. The buildings are visible from a long way off. And director Bela Badi is well known in the town, having devoted almost twenty years to producing medical equipment and instruments. In the near future he will have to stand for election to the post of director of Micromed. People in a position to know say he is a worthy candidate. He has won a State Prize for developing a system of new generation microprocessor diagnostic equipment.



"We know that Micromed will be a trailblazer in solving many questions of restructuring cooperation," the director says. "We have ventured into the unknown but there are some points of reference with which we are already familiar, thus, the number one task is to synchronize our work with that of our Soviet partners, as taking part in the production of equipment under the Micromed trademark are the Moscow plant Ritm, and enterprises in Lvov and several other Soviet cities. Quality is a special concern. We have decided to do without centralized quality control in order to avoid additional outlays of time and money. We are introducing checks at the final stage of production and after delivery."

The appearance of Micromed is a milestone in socialist integration. Many collectives at large industrial enterprises and research institutions in the two countries will have to pass the difficult test of maturity. The time is not far off when similar enterprises will be set up in the key industries of our countries--transport, electronics and engineering.

#### Organizational Meeting

Moscow PRAVDA in Russian 9 Apr 87 p 5

[Article by special PRAVDA correspondent V. Gerasimov: "Successes, Micromed"]

[Text] Budapest. The first Hungarian-Soviet joint enterprise--Micromed--has begun operation.

An organizational session of the directorate was held at the Hungarian enterprise which was the base of the Medicor firm. Five specialists from each side attended. A chairman, control commission, and deputy directors were elected, and enterprise bi-laws and plans for the current and next years were approved.

The joint enterprise was located at the Medicor plant in Esztergom. Forty persons are currently working there. This year there are plans to produce seven previously jointly developed new microprocessing medical instruments, primarily electrocardiographs. Part of the assemblies are being acquired in the USSR. Both countries are counting on widescale cooperation from industrial enterprises. The instruments produced by Micromed will be sold in Hungary and the Soviet Union for now; export to markets in third countries will occur as production expands.

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CSO: 1825/158

## CHINA/FAR EAST/PACIFIC

### MOSCOW NOTES U.S. PLANS FOR PACIFIC ARMY COMMAND

OW270935 Moscow in Japanese to Japan 1200 GMT 26 Mar 87

[Kalinin commentary]

[Text] The Japanese paper MAINICHI SHIMBUN has reported that the United States plans to set up a so-called Pacific Army command, quoting a Japanese Defense Agency (DA) source. In this connection, commentator Kalinin, who specializes in military issues, writes:

As disclosed in the report, first of all, the United States plans to set up the headquarters in Hawaii and put under its direct command U.S. Army units in Japan, South Korea, the Philippines, and other areas of the Western Pacific. Second, all these units will be substantially strengthened. When the purely military aspect of the issue is taken into consideration, it becomes clear that the Pentagon seeks to improve the Army's command efficiency, enhance its strategic mobility, and increase the capability for large-scale joint operations based on its Far Eastern strategy.

Nevertheless, what is far more noteworthy is the political factor that has brought about this plan. First of all, the current U.S. decision shows clearly that both military and political circles in the United States are devoting greater attention to the Asian-Pacific region. The following facts will account for this greater attention. Currently, the United States has only one joint Army Command in Europe. The establishment of a similar joint command in the Western Pacific indicates that this region now has equal importance as the European region.

Another point that must be taken into consideration is that the strengthening of U.S. army units in the Asian-Pacific region is not an isolated action. In parallel with the strengthening of the Army units, U.S. air and naval forces in this region are also being strengthened. For example, in addition to vessels of the 7th Fleet, those of the 3d Fleet will also be deployed in the Western Pacific. Most advanced fighters, F/A-18A capable of carrying nuclear arms, have been deployed on U.S. aircraft carriers in the Far East. A second squadron of U.S. Air Force F-16 fighter-bombers capable of carrying nuclear weapons will be deployed at Misawa Air Base in Japan beginning next year. Many more similar examples can be cited.

The Pentagon's attempt to establish a Pacific Army command indicates that another step has been taken in forming a military bloc in the Far East. By putting under one command all U.S. Army units deployed in various places in this region and planning for joint operations, the United States will force all countries where these units are stationed to act within the framework of U.S. strategy, and this actually constitutes a factor in forming the bloc.

An organization similar to the Pacific Army Command was set up by the Pentagon during the aggressive war against Vietnam. Can there be any guarantee that the attempt to reestablish an organization once tested in war does not mean new military provocations in the region? This question is certainly not brought up just at random. This point becomes particularly clear when we take into account the fact that the United States plans to strengthen its Army units, first of all, on the Korean Peninsula, according to the Japanese DA source. In other words, the plan will be tested in an area where disputes already exist to a high degree.

The plan to strengthen U.S. Army units in the Asian-Pacific region cannot be separated from the general U.S. course of offsetting the existing strategic balance to secure its own military supremacy. MAINICHI SHIMBUN has frankly pointed out that the plan is aimed precisely at the USSR. Everyone knows that the plan will inevitably cause intensified military and political confrontations. Thus, the plan mapped out by the Pentagon is extremely dangerous in nature, and it runs counter to the interests of peace and security in the Asian-Pacific region.

Regarding such a militaristic plan, the USSR proposes that military strength and conventional arms in Asia be reduced sufficiently and by a large margin to practical levels. Soviet leader Gorbachev made such a proposal in his speech delivered in Vladivostok in July last year. The proposal still stands.

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CSO: 4105/88

## CHINA/FAR EAST/PACIFIC

### USSR SINCERE IN IMPROVING RELATIONS WITH JAPAN

OW210129 Moscow in Japanese to Japan 1000 GMT 19 Mar 87

["Soviet Leadership's Sincere Intention", second installment of Georgiyev serial talks entitled "Soviet-Japanese Relations, Yesterday, Today, and Tomorrow"]

[Excerpts] First, I would like to introduce Soviet leader General Secretary Gorbachev's remarks in Moscow on 30 May 1986. The general secretary stated: We have made a principled and sincere decision on making efficient use of all possibilities to improve and develop our relations with Japan in all fields, irrespective of Japan's relations with other countries. However, such relations naturally can be established successfully only on the basis of reciprocity and of the understanding that both the outcome of World War II and the inviolability of borders should never be violated.

This was how the Soviet leadership stated its sincere intention of inexhaustible and overall development of its relations with Japan. The starting point of this intention lies in a clear and accurate understanding that great force, accumulated through post-war relations between the two countries in economic, political, cultural, and other fields, has been beneficial, not only to the peoples of the two countries, but also to the strengthening of world peace and security. It is only natural that the sincere intention of improving and developing relations with Japan has its basis on the USSR's overall principle concerning world politics.

Desirable prospects have been opened for expanding Soviet-Japanese relations from purely bilateral ones to cooperation in promoting, for example, the establishment of equality and mutual benefits among the Asian and Pacific countries in their efforts to defuse international tension and to strengthen their security in this region.

The USSR has stated its readiness to take a big stride in developing Soviet-Japanese relations within, and on the basis of, the framework of the international structure established as an outcome of World War II. This position is based on human experiences accumulated over the centuries, and these experiences have proved beyond that any attempt to neglect the inviolability of borders will certainly result in confrontations and military conflicts. Moreover, under the present conditions, such conflicts will bring about unpredictably serious damage.

As in pre-war days, a deep-rooted political and diplomatic struggle on the issue concerning peaceful coexistence between the USSR and Japan is being carried on even now. Two trends are in active competition.

The supporters of the first trend believe that there is no wiser substitute for maintaining the existing situation between the two countries as a result of the war, and on the basis of international law. They have mobilized every factor in bilateral relations and persistently made efforts to expand cooperation. This is the trend of good neighborliness, progress in the direction of strengthening world peace and international security. Supporters of the second trend have practically obstructed the development of bilateral relations, through their demand for revising the borders formulated as a result of the war. This is the trend of confrontation and hostility which will lead up a blind alley.

The USSR has positively followed the first trend, which was stated in the Soviet-Japanese Joint Statement of 19 October 1956, and it has served as the starting point for post-war relations between the two countries. The sincere intention of the USSR, based on the new political orientation, has actually played an important role in the positive development of this trend.

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## CHINA/FAR EAST/PACIFIC

### SOVIET JOURNALISTS DISCUSS USSR-JAPAN RELATIONS

Moscow MOSCOW NEWS in English No 7, 22 Feb-1 Mar 87 p 7

[Discussion between Soviet journalists Vsevolod Ovchinnikov, Sergei Morozov, and Yegor Yakovlev]

[Text]

Vsevolod OVCHINNIKOV: We're very close neighbours, but we live back-to-back with each other, so to speak, with our main gates opening on different streets. When a Japanese asks you what country you are from, and you answer - "from a neighbouring one" - he or she starts guessing - from Australia, Canada, a dozen of European states, and will name the USSR only as the very last, if at all.

The realization that the continental USSR and Japan are separated by a mere 500 km (the Sea of Japan) has still not penetrated the minds of the Japanese people. They call the coast facing our country - Ura Nippon ("back Japan"). Isn't it high time the "back gates" of both countries were opened wider?

### A GIANT IN A SHELL

Sergei MOROZOV: This was my first visit to Japan. And my greatest interest - besides the vivid impression from the first acquaintance with such a unique country, which has achieved so very much, with the Japanese as they are at home, so to speak - was, perhaps, in how the Japanese themselves understand their place in today's world. This is an important question for several reasons. Firstly, Japan is a growing economic giant, a centre of world economics, and what's more, a centre revealing a trend towards building up its might. Secondly, huge changes are taking place in the structure of the Japanese economy, which are forcing the broadest strata of the population to think ever harder how they are to live in the future and what will tomorrow bring them. Lastly, Japan continues to build up its foreign economic offensive and this is threatening to aggravate the conflict of

interests between Japan and its competitors - above all, the USA and Western Europe - and to aggravate contradictions between it and the developing countries.

Yegor YAKOVLEV: To date I have pictured Japan from what I have read in books, including those written by my colleague Ovchinnikov, sitting next to me. I'm getting the impression from my first personal acquaintance with Japan that it is a country which is trying, with amazing stubbornness to sit in its shell like a snail, trying to ignore the problems of the world surrounding it. The tours of the islands produced the impression that the country is leading a well-ordered life, the style and rhythm of which somehow have no room for the sentiments which are engulfing mankind more and more - the feeling of the nuclear war looming larger and larger. We learned that the iron and-steel industry and shipbuilding, which were, until recently, the country's most important industries, are on the decline. We were told about plans to turn Japan into a think tank, the hands of which would be working somewhere else, let's say, in South Korea or Singapore. If this happens, then huge changes will probably also happen for the entire population of Japan, due to the expansion of unemployment and the spread of grave social conflicts. However, we failed to feel apprehension for such prospects. Or take the questions of Soviet-Japanese relations - the questions we were asked could very well have been asked two or three years ago. It looks like a country which is a very close neighbour of ours does not realize very well as yet the dynamics of the changes taking place in the USSR. And all that arouses in my mind an image (which is neither mine nor anything new) - the image of the Titanic (aboard which passengers danced merrily and had a good time, not knowing that the ship was about to sink).

**V.O.:** One can really sense an aspiration for some kind of political isolation in Japan and an amazingly myopic confidence in that mankind's future is determined by the two "superpowers" – the USSR and the USA – and the Japanese, supposedly, would be able to sit it out somewhere on a fence, getting involved only indirectly in the problems of war and peace and of averting the nuclear threat. However, I must say that I did notice among the Japanese a growing realization of the latest unsteadiness of their present-day well-being.

**Ye. Ya.:** If rather than a foreign affairs analyst you were a scientific writer, could you imagine Japan in the distant future as a think tank which goes in only for the development of new goods and new processes which then would be applied only in other countries?

**V.O.:** When speaking about the feeling of unsteadiness, I had in mind precisely such a model of development of Japanese capitalism. And it really is popular in Japan. However, it also promises serious problems. The attempts made to fulfil this model are greatly connected with the outflow of Japanese capital abroad. And this is fraught with a repetition of the British model with its deindustrialization. The concentration of the main production capacities, belonging to Japanese capital, somewhere in Asia, the USA or in Europe, would mean the loss of jobs in Japan itself. However, up till now, Japan's relative well-being has been determined by the fact that Japan had only 1.5 million unemployed for a population of 120 million, as against 3.5 million jobless British for a population of 58 million, and eight million jobless in the USA with a population of 200-odd million. But the broad-scale liquidation or the loss of jobs in Japan is capable of generating a grave exacerbation of social tensions. Therefore, Japan can become the arena of fierce class conflicts, just like it was in the 60s.

## THE POLITICAL IMAGE

**Ye. Ya.:** Therefore, we got to know Japan in two of its images – the one we see every day, and the other – a fantastic, or if you prefer, a futurological image. Now let's look at its third – a political image. I got the impression that most of the questions which were posed to us by the Japanese on USSR-Japan interrelations were standard questions, reiterated from one meeting to another. And the questioners seemed to be absolutely sure of our answers. Is this impression correct and, if so, then what's the reason for such an approach on the Japanese side?

**S.M.:** I think what you say is absolutely correct. The reasons? As I see it, the official circles of Japan have run themselves, to a certain extent, into a blind alley, avoiding the recognition of postwar realities and

building in front of themselves a psychological barrier which hinders Tokyo from completely normalizing its relations with the USSR. There are obvious attempts made to stuff the entire content of Soviet-Japanese relations into the limited context of "contradictions on the territorial question". But if we abstract ourselves from verbiage and emotional moments and start talking about serious political realities, then, I think, that it is the Japan-US deep and practically irreconcilable economic contradictions, rather than the pseudocontradictions with the USSR, that are immeasurably more complicated. The main expression of these is the disbalance in Japan-US trade. Japanese exports to the USA exceeded the imports from the USA by 70 billion dollars in 1986 and this testifies to the exacerbation of the problem. And it stems, in its turn, from the stiff competition between the two national economic complexes, which lack such an element as their mutual complementation. Japan's excessive dependence on the US market is dangerous for Japan. And, I suppose, the only way out is through broad-scale diversification of trade-economic relations. Including the expansion of relations with the USSR.

**Ye. Ya.:** In its third – political – dimension Japan is constantly correlating its relations with the USSR with the state of Soviet-US relations. At the same time one notices the great amount of questions connected with the possibility of Mikhail Gorbachev's visit to Japan. Let's try and get into Japan's shoes for a moment and figure out why such broad attention is given to the visit by the Soviet leader.

**V.O.:** As I see it, it is, above all, the present Japanese government, and first of all Prime Minister Nakasone, that is interested in such a visit. He is not indifferent to the fact with what foreign policy achievements he will go down in history. It cannot be excluded at all that the results of the visit, if it takes place, are less important to the Japanese official circles than the fact of the visit itself.

**Ye. Ya.:** That's practically the US version.

**V.O.:** It is possible, of course, to make certain parallels. But we must take into account also something else – there was not a single Soviet-Japanese summit in Japan, throughout the entire 60 years of Soviet-Japanese relations. More than that – such meetings have not been held throughout the history of Russian-Japanese relations. Therefore, a visit by the Soviet leader to Tokyo could be the beginning of a qualitatively new stage in the history of contacts between the two countries. The USSR is ready to enter such a stage and is doing a lot for this. Is the Japanese side ready? To be frank, I cannot find an answer in the affirmative to this question. The more so if we recollect Japan's joining in the SDI programme, its support of the USA abandoning SALT-2 and the intention of Nakasone's administration to get more and more involved in the arms race, discarding in advance of that the limitations imposed on military spending. Therefore, I cannot but have doubts as to whether Tokyo wishes to get some kind of encouragement from Moscow on getting involved in

the US global nuclear strategy? This is no idle question because the displeasure with such a course is very widespread in Japan and resistance to it is mounting.

## WAITING FOR SOMEONE ELSE'S TRAIN

**S.M.:** The question of Tokyo's approach to Soviet-Japanese relations is linked up directly with the question what role Japan can and must play in the world of our time. The country is an economic giant, and a very rich giant, which is turning into a creditor of the USA. At the same time, it is a country that invariably follows in the wake of the USA in its foreign policy, and persistently – if not importunately – emphasizing this adherence, consciously avoiding the question whether Washington's policy corresponds to Japan's global interests, or, let's say, to its interests in the Asian-Pacific region. These interests, strictly speaking, are not identical. Exactly the same way as the interests of Japan in its relations with the USSR cannot be equated, in my opinion, with the Reagan administration's interests in its hard line on confrontation. The people we spoke to in Japan often avoided this subject, proposing that the USSR and the USA reach accord among themselves. From their point of view, Japan is no more than a passenger, prepared to buy a ticket for a train and to travel to whatever destination the locomotive of Soviet-US relations might haul it. I regard this as a real reserve for the independence of Japanese policy. Independence not in the sense that it should lead to a severance with the USA, because it would be unrealistic to think like that. We are saying that Japan's national interests should urge it to think more profoundly and broadly on the dependence of its interests on the settlement of questions of global security and questions of security in the Asian-Pacific region. This makes me remember the model of the car of the future, developed by a Japanese company – it can move from a standing position, without any preliminary manoeuvre, in any direction the driver wishes it to move – right, left, forward or in reverse. The Japanese policy obviously lacks such manoeuvrability even though, Japan matured a long time ago to be able to contribute on its own to the common cause of the building up of a safer world.

**V.O.:** Japan, which depends in a considerably bigger way than other industrialized countries on foreign trade, especially well should realize such a specific feature of the world of our time as interdependence. The broader the range of countries with which it conducts economic exchanges, the deeper and more diversified are its relations with each of the countries, the more reliable will Japan's place be within the system of international division of labour. However, the diversification of Japan's foreign policy relations lags far behind its diversification of its economic relations.

## IT COULD BE A COMPETITOR

**S.M.:** A very sound idea. Not only applied to Japan, but to any other state. It would be naive and groundless to reduce the entire complex of international relations to the choice between the two superpowers. Today the fate of each and every country hinges on the global situation. Soviet-Japanese relations, I think, should also be correlated with this situation. If we are to consider the need to avert a thermonuclear war as the main issue – and that is exactly what we in the USSR are doing – then the development of USSR-Japan cooperation not only in the economic, cultural, scientific and engineering fields, but in politics as well, would conform to the achievement of this goal. And, in this case, Japan could be not only our partner but also a competitor (in the favourable sense of the word) in the struggle for a position of initiative in the consolidation of international security, which is the alternative to the nuclear deadend.

**Ye. Ya.:** And could the aspiration take the upper hand in Tokyo to pay Washington for the abatement of Japanese-US contradictions by refusing to guarantee a firmer security of the world of our time? The official circles in Japan are striving for a long time now to resolve their economic differences with the USA at the price of Japan's concessions in military-political matters. This trend cannot but arouse alarm, because such settling of accounts between partners never fails to aggravate tensions in the Far East and in the Pacific. An example is offered by Tokyo's consent to provide a base for US F 16 fighter-bombers: the deal is bilateral, a US-Japanese deal; the USSR, the PDRK and the PRC all lie within the range of these potentially nuclear-capable aircraft.

**V.O.:** Such steps, including Japan's joining the SDI, cannot but darken the prospects of Soviet-Japanese relations. However, I remain optimistic. Because the Japanese-US contradictions, above all, trade-economic differences, are many times graver and more serious than the notorious "problem of northern territories". Nevertheless, Tokyo-Washington relations are developing on the whole – on the whole! – satisfactorily for both Japan and the USA. As I see it, the USSR-Japan relations could also be developing, in any case, the way they developed in the 60s, even though at the time our countries also had no peace treaty and the borders were the same as they are now.

**S.M.:** I'm also returning from Japan with greater optimism and hope after our many meetings, talks and discussions. We – the Soviet and the Japanese people – can negotiate. The opportunities to raise the level of political dialogue between Moscow and Tokyo so as to find ever more points of contact exist. The important thing is only to be guided by the political will to act in the name of good-neighbourliness, security and peace. We, naturally, could get by without each other. But that's not the best way to deal with problems.



## CHINA/FAR EAST/PACIFIC

### CHINA REVIEWS ECONOMY, EXPANDS FOREIGN TRADE TIES

Moscow NEW TIMES in English No 15, 20 Apr 87 pp 25-27

[Article by Mikhail Yakovlev]

[Text] The special economic zone of Shanzhen, which stretches along the coast of Guangdong Province is often called "a state within a state." Along the entire length of its internal border there is either a high wire fence or a brick wall. Special permission is required to enter or leave the Shenzhen zone, both for the Chinese themselves and for foreigners.

I had the opportunity to visit the zone twice, the second time being in December 1986.

#### Long-term, Basic Policy

In any discussion of the present-day Chinese economy, Shenzhen is mentioned as often as Peking, Shanghai or any other major city. Seven years ago the small provincial town of Baoan (as Shenzhen was then called) was little known. Why has it now become so famous, a venue for businessmen, journalists and tourists alike? The answer lies in the role it plays today in the economic life of the Chinese People's Republic.

The Central Committee of the Communist Party, at its meeting in December 1978, outlined the republic's new economic policy. It was designed to pull the national economy out of the stagnation that had resulted from the "great leap" and the "cultural revolution" that followed. But China did not have the resources needed to implement the new policy. It was therefore decided to expand economic ties with the developed Western countries and Japan in order to obtain the necessary capital and modern technology from them. As Chinese economists say, it was necessary to turn to foreign capital as the country had an acute financial shortfall, with an abundance of labour and rich mineral resources. This prompted the "appearance of a long-term government policy." In an interview with the American magazine The Atlantic, the acting General Secretary of the Communist Party, Premier Zhao Ziyang, noted that the new policy which some people incorrectly call the "open door policy," is a long-term basic policy designed to promote China's revival and enrichment of its people. We shall not stop, he underlined, at what has been achieved, but shall continue to advance.

Four special economic zones have been set up in the south of China: Shenzhen, Zhuhai and Shantou in Guangdong Province, and Xiamen in Fujian Province. They have been given special rights in developing foreign economic ties. The purpose is to attract foreign investments into the economy and introduce modern technology and equipment, along with new methods of management. Initially, the most active investors were rich Chinese from Hongkong and Macao. Of the new economic zones, Shenzhen, which borders on Hongkong, is the biggest and fastest growing. Its area is 327.5 square kilometres.

...A quick lift took us to the platform on the roof of the 53-storey International Trade Centre. When I saw the building in 1985, it was still under construction. Today the centre is operational. From the roof there is a splendid view: peasant allotments have been replaced with wide streets, multistorey blocks of flats, administrative buildings and industrial enterprises. Below lies not only a new town, but a modern one. More than 9 million square metres of flats, offices and factories have been built in the zone. And a modern port able to receive big ocean vessels is under construction in its industrial sector, Shekou. All this has been achieved in just seven years. The scale, novelty and boldness of the plans and the speed at which they have been implemented are impressive.

In the distance are the skyscrapers of Hongkong at the moment still a colony, but due to form a single unit with Shenzhen when it is returned to China in 1997. Capital construction in the zone is at present financed by the zone itself, as well as by bank loans and foreign capital. State allocations are negligible. Construction work is being carried out by more than 100 building organizations from nine provinces of the republic and Hongkong. As for industrial enterprises, the construction of most of them is financed by foreign capital.

Special attention is being paid to ~~financing export~~ industries. Initially, it was believed that the entire output of the factories built on foreign capital would be exported. In practice this did not work out for a number of reasons, and at present up to two thirds of the output is sold on the domestic market.

Since 1979 something of the order of 5,000 contracts worth \$3.8 billion have been signed with foreign companies. They have already invested \$960 million. Half the 1,200 economic projects are industrial enterprises. Of this number, 250 have already been commissioned and account for 60 percent of the zone's exports, while their gross output last year totaled 2.3 billion yuan (\$622 million)--65 percent of the zone's total output.

#### Tests, Checks and a Quest

There is no single system of industrial management in Shenzhen. At state-run factories the laws and system of the Chinese People's Republic operate while at factories built exclusively on foreign capital the system of the credit for country prevails, but the owners are obliged to abide by the local laws. The Chinese side plays no part in running these factories.

Mixed companies have a joint management with a Chinese representative at its head. The number of members of the board from each side depends on their respective capital contributions.

"Have the hopes initially pinned on the special economic zones been justified?" we asked the mayor of Shenzhen, Li Hao, when he received the Soviet journalists visiting China at the invitation of the All-China Journalists' Association.

"As you can see," he replied, "in the past six years with the help of foreign investments we have built a great deal and laid roads and communications. In other words, some of the initially set targets have been achieved. Now we have set ourselves a new objective--to develop high-technology industries so that the new factories produce chiefly for export. That goal existed before as well, but insufficient attention was paid to it, and too little time has elapsed. Now we are coming to grips with the problem and are making it our first priority."

Till now assembly and processing operations have predominated in Shenzhen's industry. Western firms and especially the Japanese, jealously guard their technological achievements, fearing competition from China. Zou Erkang, a senior official of the city authorities, told us that the capitalist industrialists sought chiefly to take advantage of the cheap labour and capture the Chinese domestic market. They were trying to reorientate factories in the special economic zone and direct them towards the domestic market.

The paper Renmin ribao noted that restrictions on the scale of capital construction and improvements in the structure of foreign investments had become important factors in the "steady, stable and harmonious development of Shenzhen's economy in the past year." Despite the fact that the volume of capital investments in 1986 dropped by almost a billion yuan as compared with the previous year, there was a considerable growth in the gross industrial output, the volume of foreign trade, budget revenues and income from foreign tourism. This was the result of the steps taken to limit capital construction. They had an immediate positive effect on production efficiency.

In 1986 the Shenzhen city authorities decided not to build cafes, hotels, high-rise buildings, and other non-productive ventures over the next two-three years, and to suspend work on 72 such projects. Material resources were concentrated on key projects in industry, transport and the power industry. The quality of construction and installation work improved perceptibly. A total of 153 industrial enterprises were commissioned, including 85 founded by foreign capital--a record figure.

The reduction in the scale of capital construction, Renmin ribao reported, made it possible to find substantial funds for boosting industrial output. They increased by almost 300 million yuan as compared with the previous year. At the same time a special centre for the allocation of foreign currency was set up. It decided how over \$50 million should be distributed

between the different enterprises. Overall industrial output in 1986, the paper noted, exceeded 3.5 billion yuan, an increase of 31.1 percent over 1985. Exports amounted to \$670 million--19 percent more than in 1985. Contributions to the budget rose by almost 15 percent, and the profits of enterprises increased 2.6 times over.

Shenzhen lives a life of its own, unlike other parts of China. Before it was made a special economic zone, it had a population of only 20,000. Today the number has risen to over 400,000, with about half of them temporary residents (recruited from other parts of the country). The zone has its own laws, although the regime is the same as elsewhere in China. Modern shops offer a wide variety of goods that can be bought for U.S. and Hongkong dollars as well as for Chinese yuan. Imported goods are sold chiefly for U.S. and Hongkong dollars.

A high standard of living has been created (probably artificially) in Shenzhen. Comfortable homes are built for workers and they also enjoy other benefits--for instance, in the field of transport, services and pensions. The average wage is 240 yuan a month, which is 2.5-3 times greater than in other parts of the country.

"Poverty is a thing of the past in Shenzhen," the chief of the Xinhua news agency office in the zone, He Yunhua, told me. "In the past the local population tried to flee to Hongkong in search of means of subsistence. Now almost no one wants to leave the zone."

Shenzhen and the other special economic zones are playing a leading role in China's policy of reviving the economy and expanding its ties with the rest of the world. They could be described as testing grounds for the new ideas and political principles of foreign economic activity. It is there that the search is being carried out for the best ways of attracting foreign investments, importing advanced technology and testing new methods of management.

One task of the special economic zones is to gain the experience that can then be applied in other internal regions. What is borrowed from other countries is tested, adjusted and assessed in the zones--and only then passed on to other parts of the country.

On the whole, China's leaders have given a thumbs up to the operation of the special economic zones. It is planned to expand their activities. For example, it is hoped that \$7 billion in foreign investments will have been attracted to Shenzhen by the turn of the century.

The State Council has resolved to extend territorially the sphere of operation of the policy of reviving the economy and expanding ties with the outside world.

## From the Coastal Areas to the Interior

Fourteen coastal cities and the island of Hainan were opened to foreign capital in 1984. Now other areas, internal ones included, have been given the right to attract foreign capital. As the deputy chairman of the Standing Committee of the National People's Congress, Peng Chong, told Soviet journalists, that means that a fairly extensive economic zone is now open to the outside world. It stretches from Shandong Province in the north, runs south along the coast, and takes in the city of Shanghai, Guangdong Province, Guangxi Zhuang autonomous region and Fujian, Zhejiang, Jiangxi and Jiangsu provinces. The State Council member responsible for foreign affairs, Gu Mu, in an interview with the paper *Jingji ribao*, defined the limits of this policy as "special economic zones--coastal open cities--coastal open economic regions--internal regions."

The wide use of foreign capital began in China after 1980. And by the end of October 1986, foreign investments (without loans) amounted to \$5.9 billion, Gu Mu revealed. Agreements and contracts were signed for the construction of 7,300 projects, a third of which are already operational. Eighty per cent of them are sited in coastal provinces and cities. Gu Mu also noted the considerable economic achievements of 14 open coastal cities where more than 4,000 projects have been modernized with the help of foreign equipment, technology and capital. This modernization of major enterprises has made possible the production of more than 100 types of goods for export in Tianjin, and greatly increased the proportion of export goods in Nantong.

There are different forms of foreign investment in the Chinese economy: foreign enterprises and mixed Chinese, foreign enterprises. Till now the main foreign investors remain the numerous small companies from Hongkong and Macao. As for major investors from the capitalist world, they are feeling their way cautiously, aware of the rudimentary nature of Chinese investment laws and the chronic shortage of energy, transport facilities and highly skilled labour.

China has already signed agreements that will bring \$25 billion to the Chinese economy from abroad. Chinese economists maintain that foreign capital has helped resume the construction of many frozen projects and start new ones. As for importing equipment, this promotes the technical retooling of enterprises and increases their economic effectiveness and labour productivity.

China seeks not only to import modern machines and technology, but to create the conditions for their reproduction in China. As Deputy Premier of the State Council Li Pang explained, "the borrowing of advanced technology and management experience from foreign countries and the use of foreign capital are important additions to socialist construction."

China's leaders invariably emphasize that in attracting foreign capital China seeks to ensure that the principles of equality and mutual advantage be strictly observed. At the same time, the Chinese side is trying to create the most favourable conditions for foreign investors.

"If we are the only ones to benefit," Peng Chong observed, "we can't expect others to offer us capital. Income tax for foreign industrialists is 15 percent, against 50 percent in the country as a whole."

However, in the capitals of a number of developed capitalist countries, especially in Washington, no secret is made of the fact that they are counting on being able to use China's present economic policy to wield political and ideological influence on China and through capital investments influence the social and economic processes in the country.

The Chinese press has lately written much about the penetration of bourgeois ideology into Chinese society and about "bourgeois liberalization." Renmin ribao noted recently that in the last few years people in the ideological and cultural fields have taken advantage of the reform to come out with views that run counter to the basic principles of socialist construction in China. As the Chinese press put it, the apologists for "bourgeois liberalization" advocate "the blind aping of the West." They seek to change the socialist course of development of the Chinese People's Republic and switch it to the capitalist course.

The facts indicate that the United States and its allies are counting on creating a social group in China educated in the spirit of the Western, American way of life. It should be remembered that half the 30,000 Chinese students studying abroad are in the United States.

In its Chinese-language broadcasts The Voice of America has sided with those who participated in the student demonstrations that took place in a number of Chinese cities. The Xinhua news agency reported that in one Voice of America programme the hope was expressed that "Chinese students would not lose heart," adding that "their demonstrations instil a feeling of satisfaction among dissidents the world over." "What is the purpose of such broadcasts?" asks the Xinhua news agency. "We should stop and think about that."

Officials underline that they are far from underestimating the danger of the penetration of an alien ideology and alien influences in Chinese society. But they believe that the outcome of the economic policy now being pursued by China will not be decided by adverse factors.

Peking--Shenzhen--Moscow

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CSO: 1812/162

MIDDLE EAST/NORTH AFRICA/SOUTH ASIA

ALLEGED U.S. ATTEMPTS TO USE 'SOVIET THREAT' IN IRAN SCORED

NC181050 Moscow Radio Peace and Progress in Persian to Iran 1630 GMT 18 Mar 87

[Unattributed commentary]

[Text] Countries in the Near and Middle East are studying the report prepared by the Tower Commission, which investigated the details of Washington's Iran operations. Many observers say this report is an attempt to help the Reagan Administration pull itself out of the mire of the Irangate scandal. It should be noted that one of the means used to achieve this sinister end is the tale of the Soviet threat.

The Tower report shows that the organizers of the Iran operation relied on the anti-Soviet feelings of some Tehran politicians. It was at the request of these politicians that McFarlane presented to the Iranians a complete series of false information reports on the so-called Soviet preparations to attack Iran. This information was to be used to mar Iranian-Soviet relations and to justify Tehran's rapprochement with Washington.

However, the course of events backfired on the engineers of this plot. It was announced in Tehran that the so-called information on the Soviet attack being prepared against Iran was fabricated, and this fabrication was described as a plot against Iranian-Soviet relations.

The objectives of those who concocted this tale, who alleged that apparently the Soviet Union creates a permanent threat for this or that country, is very clear. First, they are trying to terrorize these nations and pull them into their military-political sphere, offering them their assistance thwarting this fabricated threat. Second, they use their lies as a smokescreen for the escalation of a U.S. military presence.

This is exactly the case in the Persian Gulf region. Under the veil of confronting the Soviet threat, Washington is interfering in the affairs of littoral states. It is expanding its participation in the Iran-Iraq war through its agents, and it is thus further protracting the bloodshed.

But what realities are revealed when we compare the Soviet and U.S. stand on this war? One can clearly note a tone of greed and grudge-bearing in all of Washington's official statements, even in those statements that are filled with

complaints on the protraction of the war. The course that the logic of Washington's politicians follow is simple: The expansion of the war threatens U.S. interests. Therefore, apparently more U.S. warships should be sent to the Gulf, an attack by the notorious RDF should be prepared, and U.S. military assistance to countries in the region that are not involved in the war should be expanded. This approach can be heard in President Reagan's statement on 23 January.

The Soviet stand, which has been repeatedly stated on the most competent levels, does not speak of the Soviet Union's special interests, but of the need to understand the importance of peace for the free, independent, and constant progress of nations. The Soviet Government's statement points out that the Soviet Union has always favored an immediate end to the Iran-Iraq war, with a solution to their conflicts through political talks, not in the war arena. The Soviet Union adopted this stand from the very outset of the war, without considering the military course that the events would take. Already in the year of 1980, the Soviet Union propounded a specific and clear program for normalizing the situation in the Persian Gulf.

The U.S. Administration, in turn, did its best to aggravate the situation as much possible. The secret sale of arms to Iran and the dispatch of information gathered by spying satellites to Iraq were among the most recent such attempts. As was clarified later on, part of this information was false and was provided to maximize the losses of both warring sides.

The United States, which is paying lip service to the Soviet threat, has become a direct participant in this war. The protraction of the war and refusals to accept numerous peaceful initiatives fully satisfy the intentions of U.S. imperialism. These sinister intentions are certainly in the interests of some circles in both warring countries.

As for the Iranian and Iraqi peoples, they need and want to live in peace and quiet.

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CSO: 4640/110



MIDDLE EAST/NORTH AFRICA/SOUTH ASIA

NEW YEAR MESSAGE TO IRANIAN WORKERS ASSAILS REGIME'S POLICIES

NC211228 Moscow Radio Peace and Progress in Persian to Iran 1630 GMT 20 Mar 87

[Report on New Year message from the Society for Solidarity with Unions, Workers Councils, and Workers of Iran--place and date not given]

[Text] O Combat Workers and Compatriots: May the new year and each day that it brings be auspicious for you, may you be blessed with peace, and may your work bring you well-being and happiness in full measure. Shame and disgrace on the messengers of death and destruction, and on those who plunder the fruits of your labor and your work, from the leaders in the White House to the reactionaries ruling the country.

We have gone through yet another year in an atmosphere of suppression and dictatorship, a year of unemployment, poverty, disease, and vagrancy, in which we have suffered the painful loss of our dear ones. This year also saw, however, the intensification of the struggle against the ruling oppressors. Despite the heavy pressure of the bayonet, and that of the regime's secret agents, our strikes continued, and we also employed other types of struggle.

At a time when our families are suffering in poverty, the warmongering rulers are, at the expense of our martyrs' blood, setting richer tables for themselves. These traitors to the revolution and to the people have robbed us of our festival and of the spring of our freedom. They have annihilated the intellectual capitals of the country, and handed its material resources on a platter to the owners of Western companies and the country's big capitalists, thanks to the continuation of the war and their expansionist policy.

Despite all these adversities and dozens of other problems, we should not drown ourselves in mourning for our dear ones or in other similar sorrows and, as a result, become defeatist and forget the struggle against the oppressors. This is what our enemies want. We should not allow our sorrows to affect our combatant and justice-seeking spirit and lead us into a corner. To quote a contemporary poet, we should share our sorrows because common sorrows are more easily overcome, and the difficulties of life can be conquered by means of a combined struggle.

We have shed a lot of blood in our struggles to oust the Americans, and in our struggles to nationalize large private enterprises and banks, to gain freedom to

hold union meetings and obtain management rights in factories and workshops, with the active participation of workers and their representatives. The same is true of our struggles to confiscate the land of big landlords for the benefit of their rightful owners, the landless farmers or those farming small plots, and of the other gains that resulted from the 1979 revolution. We should not allow the regime's behind-the-scene transactions with imperialism and Zionism, for example, the Irangate scandal, to further tighten the bonds of the country's dependence on imperialist companies and governments. Nor should we allow U.S., British, and other advisers to once again gain control of various aspects of life in our country.

The people with a blunted conscience who are in power are not at all willing to see us celebrate our new year, which is rooted in our national culture and traditions. Instead of broadcasting cheerful songs, the enemies of the people's happiness and prosperity broadcast artificial mourning ceremonies. They harass the people by showing horrific scenes of killings and the war instead of beautiful scenes of nature. As much as possible, all these calamities are accompanied by mental and physical torture, leading our political prisoners to the brink of death, while they themselves celebrate in secret, exactly as the shah did with his American guests after the 8 September 1978 massacre. Despite the abominable intentions of the enemy, we should as our fathers and forefathers did, make the atmosphere of our life joyful. If, because of unemployment and shortages, we cannot buy sweets, we can congratulate our friends and colleagues with warm embraces and organize tomorrow's collective struggle after exchanging our new year greetings. This struggle is as important to us as bread and water.

The society's new year message then states: The regime has announced an extraordinary extensive mobilization during the new year festivals, showing that it now intends to massacre a large number of our working youths on the warfronts. Not for one moment should we cease our struggle to prevent this barbarous massacre. We must prevent the dispatch of our dear ones to the fronts by every means at our disposal. Let us gather at the points from where the forces are dispatched, let us demonstrate in the streets, go on strike, and submit petitions. The time has come for patriotic Armed Forces personnel to intensify their efforts to organize and expand secret anti-war cells and render the struggle against warmongering commanders more effective, and link these struggles with the masses' movement for peace. We can play an outstanding role in facilitating this link and in bringing all the progressive organizations and groups in the country closer together.

The message continues: O Combatant Workers and Laborers: Our labor and social rights in the private and public sectors have been severely trampled on. There is no law that safeguards our--the workers'--interests. The Shahriyar [month ending 22 September] 1986 labor law introduced by Sarhaddizadeh [then labor and social affairs minister] was not for the workers. Contrary to international labor rights and the gains of the Iranian working class, the Ministry of Labor has--by botching half the contents of the new bill--overtly intervened in the destiny of the workers. The right to form unions, job security, the right to strike, collective agreements, and other ordinary rights of workers have been trampled on by this law. The Sarhaddizadeh law gave employers the right, on the pretext of military training, to link the workers with the Revolution Guards.

As a result, labor has been placed under a military umbrella. All these steps, as well as the regime's stand on workers, display the regime's fear of the collective strength of the workers. We should use this strength, in the best way possible, in our struggle for justice. The law on unemployment benefits is our--the workers'--definite right. We have struggled for it for years. The law that was recently approved by the Majlis was drawn up without consulting us and naturally does not safeguard our interests. While not covering a large part of the labor force, this law does nothing to ensure means of livelihood for families and especially for breadwinners. We hope that in the future we will be able to speak in detail on the labor law, Islamic councils, and unemployment benefits.

The message then says: As for wages, the truth is that the government does not want a single dinar to be added to them. The daily wage of 40 or 60 rials and the monthly wage of 3,000 rials set for the breadwinners will not solve any of problems at a time when prices are rising so rapidly.

Production has been reduced by half. Unemployment is threatening the toilers. The country may soon face a famine and [words indistinct] are extremely expensive. The regime, which fears the workers' (?growing rage) and is also aware of the strength of their solidarity has, in a bid to ease the workers' rage, added a very small amount to wages, without doing anything to ensure the labor and social rights of the workers.

There is no doubt that the continuation of the war will lead to unemployment, inflation, and more oppression. The fact is that the lives of every one of us, and of our families, and children, are threatened, not only on the fronts, but at home, in the factories and in the fields. There is no salvation for us except through a collective struggle at every level. We should seek new ways of struggle and more quickly and effectively build up secret cells in factories and workshops. We should organize covert and overt struggles, and correctly understand the conditions that will enable us to organize more active open struggles. We need (?further efforts) in order to create stronger ties among ourselves both in Tahran and in the provinces. In every case, we should act with great care and alertness, so that elements affiliated with the regime who are hiding behind various masks do not infiltrate our ranks.

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CSO: 4640/110

MIDDLE EAST/NORTH AFRICA/SOUTH ASIA

GEYVANDOV SOVIET PEACE COMMITTEE VISIT TO ISRAEL

Moscow IZVESTIYA in Russian 13, 14 Feb 87

[Article by K. Geyvandov: "Official Trip to Israel: To the Other Side of the Middle East Conflict"]

[13 Feb 87 p 5]

[Text] I

The Cyprus Airways plane landed on a brightly illuminated runway at the evening airport and we heard the stewardess's voice issuing from the loudspeakers in the passenger compartment, "Our plane has just landed at Ben Gurion Airport. Welcome to Tel Aviv." That is how, after a little more than 12 years, I found myself in Israel -- on the other side of the Middle East conflict that is almost 40 years old, a place where we Soviet journalists have had very few opportunities to take a look.

Parked at a distance of about 12-15 meters from the stairs from which we were coming down onto terra firma was a roomy bus that takes the passengers to the airport terminal, and next to it, as though enclosing the air liner in a semicircle, were about 15 fine-looking men in civilian clothing. They kept a tense watch on every action made by the passengers who were deplaning, and they were ready to react immediately to any situation that seemed to them to be suspicious, and two or three of them, having occupied a position in the center of the semicircle, randomly stopped one or another of the arriving passengers and asked to see his documents.

The youngest participant in our group, B. Makarenko, did not avoid this procedure. Turning over in his hands Makarenko's red Soviet passport, the representative of the Israeli security service, shot us a perplexed glance and, in a somewhat irritated tone of voice, asked, "What kind of document is this?"

"The passport of a citizen of the Soviet Union," came the answer, and then the following dialogue ensued.

"Diplomatic?"

"No, ordinary unofficial."

"Where have you come from?"

"Moscow."

"And what brings you to Israel?"

"We are a delegation of the Soviet Committee to Defend the Peace. We are visiting Israel on the invitation of a number of deputies to the Knesset. Our passports contain the appropriate visas."

After leafing through the "red-skinned passport" once again, the Israeli returned it to our associate and authorized him to proceed into the bus, although from all appearances one could see that the Israeli was still beset with doubts. But a few minutes later we were already exchanging handshakes with Knesset deputy, Communist T. Tubi, and with J. Gozhanski and others who came to meet us.

That was the beginning of the visit to Israel by the delegation of Soviet peace proponents, a meeting that lasted a week last January.

Day one. The Hotel Sinai where we stayed is located almost on the embankment, and in the morning, from the balcony of the room on the eleventh floor, one sees opening up a beautiful view of the Mediterranean Sea. Farther to the north, along the shore, will be Haifa, Saida, Beirut, and Tripoli. Israel is a Mediterranean country, and many of the episodes in our trip through the country will subsequently prove to be linked with that circumstance. But the first item on our itinerary in Tel Aviv was a visit to the Weizmann Institute -- the country's largest scientific-research institution.

The institute complex is scattered over the picturesque terrain of the small town of Rehoboth, which is also considered to be a suburb of Tel Aviv. We spent half a day there. The first person to receive us was the institute director, Professor A. Dvoretzki. He told us about the various kinds of scientific-research work that is carried out within the walls of the institution, about the results that have been achieved by its associates, and about their broad international ties in the scientific world, and at such time he expressed the readiness to organize an exchange program with scientific organizations in the Soviet Union.

The work of the Weizmann Institute is partially financed by the state budget and partially by private contributions. And when Professor Dvoretzki complained that in recent years the money received from the state budget has been steadily decreasing, I could not refrain from commenting that that situation is apparently explained by the growing military expenses. In reply the institute director smiled and said, "I always say that, if the Israeli army got only one combat aircraft less each year, the funds thus economized could be a tremendous mainstay for us."

Then we visited a number of departments and schools at the institute and had friendly discussions with their heads, Professors L. Sachs, M. Feldman, and R. Aaron, although the only scientist among us was Academician N. Bochkov, director of the Institute of Medical Genetics, USSR AMN [Academy of Medical Sciences]. I especially recall a meeting with Doctor J. Reisner, who,

together with American doctor R. Hale, last year went to Moscow to work with Soviet specialists to render assistance to the victims of the Chernobyl accident. He said that that trip had left an indelible imprint on his memory, he spoke highly of the professional competence of his Moscow colleagues, and expressed the desire to continue cooperating with them. The administrators of the Weizmann Institute showed us one of the institute's information bulletins, in which the story about Reisner's trip to Moscow was accompanied by a large photograph that had been taken in the Lenin Hills.

From the very first day of our stay in Israel, all the conversations in which we took part invariably turned to the problems of war and peace. And that would seem to be completely reasonable, if one considers the country's involvement in the prolonged Arab-Israeli conflict and in the imperialistic arms race, including the American Star Wars program. We spoke of several places -- at the Weizmann Institute, at the School of Medicine at Tel Aviv University, and especially thoroughly at a meeting at the Israeli association of Doctors for the Prevention of Nuclear War.

The day of our meeting coincided with the anniversary of the famous 1986 Statement by the General Secretary of the CPSU Central Committee, M. S. Gorbachev, on questions eliminating by the end of the century nuclear weapons on earth, and the association activists who spoke at the meeting called it one of the basic events of the past year. They emphasized the special responsibility borne by doctors to demonstrate the horrors of the nuclear catastrophe and to mobilize people for the fight to prevent that catastrophe. Touching upon Israel directly, one of the association leaders, E. Kahane, cited data obtained as a result of research conducted by their organization, which data attests to the fact that the explosion of only one atomic bomb with a one-megaton power in the Tel Aviv area would immediately affect 1.2 million persons.

Day two. In the morning we went to the Israeli CP Central Committee, where at first we met the leaders of the Israeli Communists, and then we met the collective of the party weekly ZO GADEREKH, which is published in the Hebrew language. I had already been there in October 1974, and therefore I met many people whom I knew. They continue to be filled with combat spirit and fervor. We had all aged only a little more than 12 years, but the gray hair that at that time had only silvered their temples now completely covered several of their heads. Comrade M. Wilner, Central Committee general secretary, in a calm, confident voice, told us about the tasks that the Israeli Communists are fighting to resolve.

The number of these tasks has not decreased in recent years, but, on the contrary, new ones have been added. A problem that continues to occupy one of the central places is the fight to withdraw Israeli troops from all the Arab territories that have been occupied since 1967, the fight to restore the inalienable national rights of the Arab nation of Palestine and for the guaranteeing of the security of all the countries in the region and the peaceful coexistence among them.

This one task alone is awesome in its scope, complexity, and intricacy. And one must give their due to the brave Israeli Communists who, several dozen

years ago, fought to carry it out practically singlehandedly in a situation of military psychosis and chauvinism that was forced on people from day to day. That idea flashed through my mind during Comrade Wilner's talk and, as though he could read my mind, he started talking about how, after the war in Lebanon, the idea of the need for the peaceful political settlement of the Arab-Israeli crisis has been seizing the minds of a larger and larger number of Israelis with the most varied convictions and views. And as though confirming that conclusion, during an evening meeting with the Israeli organizing committee for improving relations with the Soviet Union, O. Namir, Labor Party delegate to the Knesset, stated that, without peace and peaceful coexistence with neighboring Arab countries, Israel did not have a future.

On that day we had two relatively free hours, and we were given the opportunity to make a short excursion through the city. In recent years Tel Aviv has become something like a small Israeli New York, having lost even that small size that used to give it its distinctive nature. It now has the same kind of multistory hotels and buildings housing banks, commercial institutions, and department stores, all clothed in concrete and glass, which have risen on the sites where buildings that had been erected as long ago as the days of the British mandate were razed.

Land is getting more expensive with every passing year, and everything that is relatively unprofitable -- structures, orchards -- is destroyed in the chase for large profits and income. At the same time there continues to be a process of wiping off the face of the earth the vestiges of whatever I remember, however remotely, about the presence at one time here of the Arab population. Tel Aviv is currently beautified by a pretty embankment that runs for several kilometers, that was built along the Mediterranean Sea in recent years. During my previous trip here it was not yet in existence, and at that time settlements of Arab fishermen existed in places along the shore. Practically all signs of the Arab presence have been eradicated in the ancient city of Jaffa, from whose walls Tel Aviv began at one time.

Our volunteer guide on our tour of the city was J. Bekker. The day before, while en route to the Weizmann Institute, he had directed our attention to the fact that television antennas of a not completely ordinary design have been installed on the roof of several Tel Aviv buildings. People refer to them by the Russian name "tarelka" [dish], and it is said that there are as many as 40,000 "dishes" like this in Tel Aviv alone. With the aid of these antennas, the Israelis can regularly pick up the programs of USSR Central Television.

Day three. From the point of view of perceptual contrasts, the rapidity of changes, and the variety of scenes in today's everyday life in Israel, this day proved to be probably the fullest and most telling one. It began when, in the morning, we were visited by a delegation from the leadership of the Israeli Peace Committee. There was an exchange of opinions about the state of affairs and the ways to achieve the further intensification of the struggle for peace in our countries.

Then we boarded cars and set off for Haifa, another very important Israeli port on the Mediterranean Sea. However, while traveling the route that ran along the shore, we had to make two stops. The first of them was at the Han-

Shmuel kibbutz. An invitation to visit it had been issued to us, through our friend Bekker, by one of the farm managers, H. Margalit, who, among other things, works as a commentator on economic matters for the AL GAMISHMAR newspaper, the house organ of the MAPAM party. Together with kibbutz secretary M. Bustan, he received our delegation and acquainted us with the principles of its organization and operation.

The Han-Shmuel kibbutz is one of the oldest in the country. Long before the springing up of the Israeli state, it was created by persons who had emigrated from Europe, who had united in order, by their joint efforts, to conquer the difficult swampy land. There were groups that were somewhat like certain types of communes that had existed in our own country before the creation of kolkhozes and sovkhoses. Now this is a highly developed and profitable farm. It has 500 members, who live on the kibbutz territory in buildings that were erected on social principles. The farm grows citrus fruits, vegetables, and cotton, and raises fish for sale. It has a completely modern, well-equipped plant for processing citrus fruits and vegetables.

During the years of existence of the state of Israel, the kibbutz movement has been gradually losing its initial nature, and, in particular, has adapted itself to the conditions of capitalist competition, and nowadays it most frequently exploits hired manpower. But in Han-Shmuel they still attempt to remain true to the ideals of their fathers who were the commune founders, and who included Margalit's parents. Therefore it is not surprising that the kibbutz members speak from progressive positions when dealing with questions of war and peace, and they censure the policy of aggression and expansion that is followed by the country's ruling circles. It was here that we heard the following statement: in your country a patriot is a person who supports the government, inasmuch as the government expresses the nation's interests, but in our country it is just the reverse: a patriot is a person who speaks out against the government.

But the next stop proved to be the direct opposite of the prosperity at the Han-Shmuel kibbutz. It was the town of Umm-el-Fahm, where 25,000 Palestinian Arabs live. Under conditions of extreme poverty, overcrowding, and lack of sanitation. Town mayor H. Muhamid tells us, "Umm-el-Fahm at one time was a prosperous village, but now it has become the poorest city in the country. A Jewish settlement has been built on confiscated land that used to belong to us, and we who used to be prosperous peasants have been turned into cheap hired manpower. The municipality budget is approximately 20-25 percent of the appropriations allocated for the development of a Jewish settlement of the same size. But Umm-el-Fahm expects to suffer the fate of all the Arab settlements in Israel -- to sink gradually to the bottom."

Stating it outright, we left Umm-el-Fahm with a heavy heart, although the people there gave us emissaries from the Country of Soviets, about which everyone here knows, the most cordial welcome. And perhaps that sense of grief did not leave us until the end of that day when, finally arriving at Haifa, we were guests late that evening of the collective of the city's municipal theater. The theater troupe had established long ago firm international traditions, which its leaders N. Semel and T. Besser are attempting in every way to support and develop. Inasmuch as the theater was



dark that day, we were shown a video recording with excerpts from the most recent play, which is called "The Palestinian Girl." The subject of the play can be summarized succinctly as follows: a young Israeli nationalistic extremist falls in love with a girl without suspecting that she is a Palestinian Arab. When this circumstance becomes known, the young Israeli's friends exert all their efforts, up to and including physical coercion, to persuade him to renounce the girl he loves. But he finds within himself the strength to fight against the prejudices and he remains true to that love.

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[Text]

## II

Day four. We are reconvinced that our itinerary was planned in such a way that there remains almost no time to look at the local tourist attractions at the places that we visit. And so now, after spending the night in Haifa, we set off in the morning for Nazareth. The trip there by car takes less than an hour, but we are late arriving at the place for our first meeting at the branch of the Society of Friendship with the Soviet Union. But it was not our fault. As we arrived in the city, we were forced to reduce our speed sharply until literally a snail's pace. The reason for the great reduction in the traffic speed became obvious when we made our way to the center of town. It turned out that a very large demonstration was in progress there.

The fact of the matter is that, precisely on the day of our arrival in Tel Aviv, the Israeli cabinet had finally approved the long-discussed draft for the second phrase in the program for "reviving" the country's economy, which had been dictated by the U.S. administration. It was decided, in particular, to devalue by 10 percent the national currency, the shekel, and to cut the state budget by 400 million shekels. The reductions affected state subsidies for the necessities of life, as a result of which the prices of those items jumped sharply upward. The appropriations for social security and for education proved to be reduced, and that would lead, for example, to the closing of 100 schools. But the expenses for Israel's "sacred cow," as it is called here -- that is, the armed forces -- had remained inviolate.

Those governmental decisions, the victims of which proved to be the country's workers, evoked a storm of indignation by the opposition in the Knesset. Various parties introduced five drafts of resolutions with a vote of no confidence in the cabinet. Certain parliamentary deputies who had signed the invitation to the Soviet delegation and who had been planning to meet it at the airport were forced to remain in Jerusalem because of the sharp debates that had developed in the Knesset. The Likud-Labor Party coalition that is currently the ruling one in Israel succeeded in preventing the passage of the resolution with the vote of no confidence. But it proved to be incapable of restraining the wage of popular indignation that we witnessed during our visit to Nazareth.

Although we were delayed, we finally managed to reach the first goal in our trip, where we were met by administrators and activists of the branch of the friendship society. It must be said that the Society of Friendship with the Soviet Union was created in Palestine several years before the formation of

the state of Israel, immediately after the treacherous attack by Hitlerite Germany upon our country. It was probably one of the first, if not the very first, in the Middle East, and it has its branches in practically all the major populated places in the country. As a rule, each branch has a library containing works of Russian and Soviet literature, which serves as a center for regular educational work.

Nazareth's past is closely linked with the history of the arising of Christianity. Its present and, apparently, its future are closely linked with the activity of the Israeli Communist Party. The well-known Palestinian Communist poet T. Zayad, whom I had had an opportunity to meet during my first trip here, has been the permanent mayor of the city for many, many years in a row. But this time he cordially, with an invariably radiant smile on his face, greeted us as the head of the municipality delegation at the entrance to the auditorium at the Nazareth Cultural Center where representatives of the public had gathered for the meeting with the Soviet delegation.

Day five. Once again we spent the night in Haifa, but once again were unable to tour it properly (it is times like these that one really envies the tourists). In the morning we went to the famous city of Acre, which, it is asserted, has been in existence for 5000 years. It has actually lived through the Phoenician and Ashur times, has experienced the Crusaders and the Ottoman Empire, and it stood fast before Napoleon, remaining unconquered by him.

But, speaking about modern Acre, Mayor De Castro reported that two-thirds of the 4000 residents of the city are Jews and one-third are Arabs, and he stated proudly that this is probably a unique place in Israel, a place where the citizens of the two nationalities serve as an example of peaceful coexistence with one another. In this regard he deemed it necessary to emphasize that he would like for his country to live in peace and accord with its Arab neighbors. These views were shared by the mayors of the adjacent Arab villages who were present at the meeting in the Acre municipality and who had made a special trip there that day in order to greet the Soviet delegation.

It must be said that Mayor De Castro is one of the prominent figures in the Israeli Labor Party, which, in a coalition with the Likud bloc, is currently ruling the country, and one wants to believe that he was sincere. Later on, at lunch, when developing his idea about the peaceful coexistence of Israel and the Arab states in the region, he spoke of the need to withdraw Israeli troops from the occupied Arab territories, the just resolution of the Palestinian problem, the convoking of an international conference on the Middle East, and the active participation of the Soviet Union in the Middle East settlement. But the condition that was raised as a preliminary one for putting this entire process in motion is the restoration of the diplomatic relations between the Soviet Union and Israel.

We encountered the posing of that question rather frequently during our stay in Israel, including the course of the meeting with Knesset deputies. And every time it was necessary to explain patiently that the diplomatic relations that had been maintained between our country until June 1967 were disrupted not because we like or do not like the regime that exists in Israel, but as a result of the Israeli aggression against the neighboring Arab countries.

Therefore the resolution of the problem is directly dependent upon the process of eliminating the consequences of that aggression. The more rapidly the situation in the Middle East is normalized, the more rapidly it will be possible to begin considering the question of restoring relations with Israel. Otherwise it is a case of putting the horse before the cart.

In the afternoon we returned to Haifa and visited the editorial office of the AL ITTIHAD newspaper, where we were warmly greeted by its editor in chief, one of the best Palestinian poets of modern days, my old acquaintance E. Habibi. AL ITTIHAD is the fighting daily newspaper of the Communist Party of Israel in the Arabic language. On the occasion of the celebration of its thirtieth anniversary in 1974 I had visited that country for the first time. Now there was a new meeting with its editor in chief and its staff, the recollections, the stories about their work at the new stages in the struggle being waged by the Israeli Communists for the workers' rights, and an exchange of opinions concerning the situation in the country, the region, and the world as a whole.

Day six. Early in the morning we left Haifa to go to Jerusalem. I shall make no attempt to describe the beauties of this cradle of the three largest religions of modern times, a city which has been in the center of the most acute international conflict. During the time that we were given to get acquainted with the city, we succeeded in getting a quick look only at two or three areas in its western part. But there was supposed to take place here in Jerusalem an event that was considered to be one of the basic one in the itinerary of our trip to Israel. It was a visit to the Knesset and a meeting with a group of its deputies.

The participants in that meeting on the Israeli side were 15 Knesset members from such parties and groupings as the Labor Party, MAPAM, the Democratic Front for Peace and Equal Rights, which includes the Communist Party of Israel, and the Citizens' Rights Movement (RAZ). The meeting lasted for more than two hours. Having found ourselves on the other side of the Arab-Israeli conflict, a side where we had extremely infrequent opportunities to look, the Soviet delegation wanted to know what our Israeli counterparts saw as the way out of the situation that has been created in the Middle East, what they considered to be the ways to resolve the Palestinian problem, and what they thought about the Soviet proposals concerning the Middle East settlement. And those questions were indeed raised in the opening speech by the leader of our delegation, Academician Bochkov.

Almost all the Knesset members who took part in the discussion -- O. Namir, H. Grossman, I. Sarid, H. Ramon, E. Granot, and others -- in addition to dealing with the traditional questions of diplomatic relations and emigration, attempted in general features to formulate their replies to the questions that had been asked of them. And, as a whole, it must be said that they were positive ones, although sometimes they were open for interpretation in any way one liked. The essence of those replies can be summarized as follows: there can be no military resolution of the Arab-Israeli conflict, and it is necessary to seek peaceful ways for getting out of the crisis; the Palestinian problem is a present-day reality, and it must be resolved to the satisfaction

of the Arab nation of Palestine; the search for the way to settle the conflict in the Middle East, and especially to achieve a just settlement, is impossible without the active participation of the Soviet Union.

If one attempts to summarize the exchange of opinions that took place in the Israeli parliament, it would seem to have been constructive and beneficial. In addition to the discussion of regional and world problems, the Knesset deputies discussed the development of bilateral ties between the Israeli and Soviet public, including an exchange in the cultural, scientific, and sports areas. And that overall positive impression could not be spoiled by the wild anti-Soviet demonstration that had been set up outside the confines of the area where our meeting was taking place by three members of the very same Knesset from a party that stands at the extreme right of the Israeli political spectrum.

I definitely must also mention the visit in Jerusalem to two organizations that arose in Israeli on the wave of protests against the aggression in Lebanon. They are Shalom Ahshav (Peace Today) and Yesh Gvul (There's a Limit), or, as the Israelis themselves prefer to translate that name, There's a Boundary. They both were created by Israeli Army officers and enlisted men as a sign of censure against the predatory war in Lebanon that had been unleashed by Tel Aviv in 1982. Those organizations participated together in the famous demonstration of 400,000 persons that the Israeli peace proponents arranged after the bloody slaughter in Sabra and Shatil in September of the same year. We were told by the leaders of Peace Today that their grouping, which stands on the ideological positions of Zionism, gives itself one, and only one, task -- the establishment of peace in the region. But Yesh Gvul, we learned, goes farther than that. It feels that the territory of the state of Israel must not extend beyond the limits of the 1967 boundaries. Therefore its members refuse to serve in the troops of the Israeli Army in Lebanon, on the occupied West Bank of the Jordan, or in the Gaza Strip, that is, to participate in predatory wars. Naturally, Yesh Gvul is subjected to greater persecutions from the police than Peace Today is.

The day in Jerusalem ended with a wonderful evening that we spent among practically the only countrymen of ours who are currently in that country. We were invited as guests by the collective at the Russian Spiritual Mission, and for several hours we mentally put aside the tension of the previous six days.

Day seven. This day began when our friends told us about the negative reaction in the country's mass information media to the wild anti-Soviet demonstration at the Israeli parliament. Many of the printed publications qualified it in the same way -- as a provocation. The JERUSALEM POST newspaper printed a report on it on its front page under the headline, "Two Faces of the Knesset." The parliament speaker also censured the behavior of the deputies from the extreme rightist party.

Then, for three and a half hours, the members of the Soviet delegation were in the power of the representatives of the Israeli mass information media, who asked us an endless number of questions that seemed to spill out of a cornucopia. Then, as a finale, there was a meeting with the leadership of the International Center for Peace in the Middle East. Judging by its membership,

this is a rather representative organization. In addition to other famous political and public figures, it contains 20 Knesset deputies, including nine who signed the invitation sent to our delegation. At the present time the center plans the conducting of a representative international conference on questions of the peaceful settlement of the Middle East situation, with the mandatory participation of the Palestinians, and, taking advantage of our visit, the leaders of the organization had decided to discuss that idea with us also.

It would be very tempting to end our report on this optimistic note. But it would scarcely correspond to the true state of affairs that is developing as of today. First, those social and political forces which had a self-interest in arranging a visit to Israel by the Soviet Committee for the Protection of the Peace, and which we had the opportunity to meet and talk to, currently represent, at best, no more than 20 percent of the Israeli voters. Secondly, while we were talking to our Israeli counterparts about peace and the peaceful settlement of the Middle East conflict, Israeli aviation was bombing Palestinian refugee camps in Lebanon, peaceful Lebanese cities and villages were being subjected to massive shellings by Israeli artillery from land and sea, and Israeli occupying troops on the West bank of the Jordan River and in the Gaza Strip were continuing to carry out acts of terror and repression.

On the other hand, there was not a moment's letup in the blatant anti-Soviet campaign that was being inflated in the country's mass information media by official Tel Aviv. That campaign is being waged by Israel in complete conformity with the policy of indulging the course of its senior American partner in the strategic alliance. Events that became individual episodes in that campaign were the granting of Israeli territory for the construction of a powerful Voice of America radio station for the purposes of anti-Soviet propaganda; and active Israeli participation in carrying out the Star Wars program. And apparently one of the persons we spoke to was right when, during one of the meetings, he stated that at the present time the Israeli government is acting more and more in the interests of the U.S. administration in the region and in the world, than in the interests of its own nation.

But now we are talking about representatives of that part of the country whom we did not meet and with whom we did not have any conversations.

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